

SHAREHOLDER DIRECTION

CITY OF TORONTO

TO

TORONTO COMMUNITY HOUSING CORPORATION (*TCHC*)

AS ADOPTED BY CITY COUNCIL
AT ITS MEETING OF OCTOBER 2-4, 2001:
JOINT POLICY AND FINANCE/COMMUNITY SERVICES REPORT 1(1) AS AMENDED

TABLE OF CONTENTS

1. INTERPRETATION	1
1.1 DEFINITIONS	1
2. INTRODUCTION	2
2.1 CITY AS TCHC SHAREHOLDER	2
2.2 FUNCTION OF THIS DIRECTION	2
3. OBJECTIVES AND PRINCIPLES	2
3.1 PURPOSES	2
3.2 SHAREHOLDER OBJECTIVES	2
3.3 PRINCIPLES	3
4. BUSINESS OF TORONTO COMMUNITY HOUSING CORPORATION	4
4.1 BUSINESS OF TCHC	4
4.2 CREATION OF SUBSIDIARY COMPANIES	4
5. OPERATION AND CONTROL	5
5.1 BOARD RESPONSIBILITIES	5
5.2 QUALIFICATIONS OF DIRECTORS	5
5.3 COMPOSITION OF THE BOARD	6
5.4 NOMINATION PROCESS	6
5.5 ELIGIBILITY FOR APPOINTMENT TO THE BOARD	6
5.6 CHAIR	6
5.7 VACANCIES	6
5.8 TERM	6
5.9 CONFLICT OF INTEREST POLICY	7
5.10 CONFIDENTIALITY	7
5.11 REMUNERATION	7
5.12 REMOVAL OF DIRECTORS	7
5.13 BOARD OF DIRECTORS OF SUBSIDIARIES	7
6. Shareholder MATTERS	8
6.1 DECISIONS OF THE SHAREHOLDER	8
6.2 MATTERS REQUIRING SHAREHOLDER APPROVAL UNDER THE OBCA	8
6.3 OTHER MATTERS REQUIRING SHAREHOLDER APPROVAL	8
6.4 REGULATORY MATTERS	9
7. FUNDING RELATIONSHIP WITH City AND OPERATING AGREEMENT	10
7.1 GENERAL	10
7.2 OPERATING AGREEMENT PRINCIPLES	10
7.3 OPERATING AGREEMENT CONTENTS	10
8. GOVERNING DIRECTIONS	11
8.1 TENANT PARTICIPATION	11
8.2 EMPLOYMENT AND RELATED MATTERS	11
8.3 OTHER MATTERS	12
8.4 MEMBER OF THE SOCIAL HOUSING SECTOR	12
9. ACCOUNTABILITY	12
9.1 COMMUNITY MANAGEMENT PLAN	12
9.2 ANNUAL REPORT	13
9.3 ACCESS TO RECORDS	14
9.4 AUDIT	14
9.5 ACCOUNTING	14
9.6 ANNUAL FINANCIAL STATEMENTS	14
10. FINANCIAL PERFORMANCE	14
10.1 FINANCIAL PERFORMANCE	14
10.2 FINANCIAL PERFORMANCE TARGETS	15
11. SUCCESSOR RIGHTS	15
12. AMENDMENTS	15

1. INTERPRETATION

1.1 Definitions

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

“*Auditor*” means the auditor of *TCHC*;

“*Board*” means the Board of Directors of *TCHC*;

“*business*” means the business of *TCHC*;

“*Chair*” means the director of *TCHC* 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* and is not related to whether an individual is a Canadian citizen;

“*City*” means the City of Toronto;

“*Community Management Plan*” means a rolling three-year *business* plan including long-term *business* strategies, key multi-year targets and financial plans, but not including detailed activity plans;

“*Council*” means the Council of the City of Toronto;

“*financial statements*” means, for any particular period, audited or unaudited (as stipulated in this Direction), consolidated or unconsolidated (as stipulated in this Direction), comparative *financial statements* of *TCHC* 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;

“*MTHC*” means Metro Toronto Housing Corporation;

“*OBCA*” means the *Business Corporations Act* (Ontario), as such statute may be amended 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 (Shelter, Housing and Support Division) and any other regulatory authority or order of government having authority to establish housing program legislation and regulations, or acting as the administrator of funding for housing programs;

“*Shareholder*” means the *City* of Toronto (as owner of *TCHC*);

“*SHRA*” means the *Social Housing Reform Act, 2000* and regulations thereunder;

“*Subsidiary*” means, with respect to *TCHC*, any body corporate of which more than 50% of the outstanding securities of any class carrying exercisable voting rights are beneficially owned, directly or indirectly, by *TCHC*, and includes any body corporate in like relation to a *Subsidiary*;

“*tenants*” means the tenants, as defined in the *Tenant Protection Act*, of *TCHC* and of *THC*;

“*THC*” means Toronto Housing Company Inc.

1.1 Definitions (cont'd)

"*TCHC*" means Toronto Community Housing Corporation.

2. INTRODUCTION

2.1 *City as TCHC Shareholder*

The *City* of Toronto has become pursuant to Part III of the *SHRA* the sole shareholder of *TCHC*. *City Council* has directed that all assets and operations of *THC*, the non-profit housing corporation of which the *City* is the sole shareholder pursuant to section 13 of the *Housing Development Act*, be transferred to *TCHC*.

2.2 Function of this Direction

This Direction

- (a) establishes certain principles of governance for *TCHC* and any *Subsidiaries*;
- (b) includes certain rules governing the accountability of *TCHC* to the *City*, as mandated by section 32 of the *SHRA*; and
- (c) constitutes in part a declaration by the *City* pursuant to subsection 108(3) of the *OBCA* with respect to certain powers of the *Board*.

3. OBJECTIVES AND PRINCIPLES

3.1 Purposes

The purposes of this Direction are as follows:

- (a) to recognize the *Board's* authority to manage or supervise the management of the *business* and affairs of *TCHC* in accordance with this Direction;
- (b) to provide the *Board* with the *Shareholder's* fundamental principles regarding *TCHC*;
- (c) to inform the *tenants* of *TCHC* of the *Shareholder's* fundamental principles regarding *TCHC*;
- (d) to inform the other residents of the *City* of the *Shareholder's* fundamental principles regarding *TCHC*; and
- (e) to set out the accountability, responsibility and relationship between *TCHC* and the *Shareholder*.

3.2 *Shareholder Objectives*

3.2.1 The *Shareholder's* objectives in connection with its relationship with *TCHC* are as follows:

- (a) *TCHC* will employ its own staff, and subject to the terms of this Direction, be responsible for the management of its housing portfolio, making all policy and operational decisions and being held accountable for these decisions through the submission to *City Council* of the *Community Management Plan* (see Section 9.1) and the Annual Report (see Section 9.2);

3.2 *Shareholder Objectives (cont'd)*

3.2.1 (cont'd)

- (b) *TCHC* will utilize its assets for the purposes of providing quality, affordable housing;
- (c) the assets of *TCHC* will be maintained in good repair and the usefulness of the assets will be maintained in order to provide quality affordable housing over the long term;
- (d) *TCHC* will act to mitigate financial risks to the *City as Shareholder*, while service standards and levels are maintained or enhanced;
- (e) the *tenants* of *TCHC* are able to participate in local and corporate decisions through an accountable, democratic system of representation;
- (f) *tenants* will be protected from harassment, in an environment where human rights are upheld;
- (g) *TCHC* support and promote efforts aimed at providing *TCHC tenants* with healthy, safe and sustainable communities;
- (h) *TCHC* support the diversity of its communities through the development and implementation of its policies and plans; and
- (i) *TCHC* be accountable for achieving stated results, and meeting the intent of this Direction to the *City as Shareholder*, and to stakeholders as recipients of its services.

3.2.2 Organizational changes can have both positive and negative impacts on *tenants* and staff. *TCHC* will address the impacts of the transfer of *THC* assets and operations to *TCHC* on *tenants* and staff of *TCHC* and strive to maximize benefits, while mitigating the risks related to implementation of this Direction and related plans.

3.3 Principles

3.3.1 *TCHC* is integral to the well-being and the infrastructure of the *City*. *TCHC* recognizes that it is in the best interests of *TCHC*, *tenants* and the community of stakeholders whom *TCHC* affects, that *TCHC* conduct its affairs in a manner consistent with the principles outlined below.

3.3.2 *TCHC* will:

- (a) conduct its affairs in accordance with the *SHRA*;
- (b) provide quality, affordable housing accessible to those in need and eligible for subsidized housing, as defined from time to time by any *Program Administrator* and within the parameters of program funding and program regulations;
- (c) provide accountable quality service at an affordable cost, on a sustainable basis and use the most appropriate methods and structures for doing so;
- (d) operate with an emphasis on service to *tenants* and tenant satisfaction, and support access to information and services by its diverse communities;
- (e) have due regard for the role of Councillors in representing the interest of their constituents and having timely access to information concerning the activities of *TCHC* in their wards;

3.3 Principles

3.3.2 (cont'd)

- (f) conduct its affairs with an aim to support the ability of *tenants* to retain their housing with *TCHC*, live independently, and where it is possible, in accessible buildings;
- (g) promote communities in which there is a diversity of incomes and a mix of rent geared-to-income and market rent paying *tenants*, within housing program limitations;
- (h) ensure that policies and programs are consistent with the goal of reducing homelessness and providing affordable housing;
- (i) consult with *tenants*, through the tenant participation system that is to be developed 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*;
- (j) through the *Board*, be responsible for determining and implementing the appropriate balance among the foregoing principles and for causing *TCHC* to conduct its affairs in accordance with the same, and will be held accountable by the *Shareholder* for how this balance is achieved; and
- (k) recognize that social housing primarily serves *tenants* of low and moderate incomes and accommodates their needs where possible.

4. BUSINESS OF THE TORONTO COMMUNITY HOUSING CORPORATION

4.1 Business of *TCHC*

Subject to the ongoing ability of *TCHC* to meet the financial objectives as established through funding arrangements with any *Program Administrator* and the ability of the *Board* to demonstrate the same, and in support of the mandate to provide affordable housing, *TCHC*, directly or through *Subsidiaries* or through partnerships, or through arrangements for the purchase of services, may engage in any of the following *business* activities, consistent with *TCHC*'s Articles of Incorporation and the *SHRA*:

- (a) own, operate or have an ownership interest in rental housing and affordable-ownership housing and provide related services;
- (b) develop new affordable housing;
- (c) redevelop existing housing sites;
- (d) develop and operate commercial space and other commercial services in support of meeting *business* objectives;
- (e) provide housing-related services to third parties;
- (f) provide services to *tenants* beyond the basic residential landlord obligations;
- (g) manage an investment program for reserves and other funds, borrow funds to meet long and short term requirements, subject to the conditions outlined in Section 6.3; and
- (h) 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 Creation of Subsidiary Companies

4.2.1 *TCHC*, may from time to time, create one or more *Subsidiaries* to meet its goals.

4.2.2 *Subsidiaries* may be wholly owned, or may be corporations in which *TCHC* has a majority interest.

4.2.3 Where *Subsidiaries* are created, *TCHC* will so inform the *Shareholder* at the earliest possible opportunity, and include information related to the purpose, governance, and other such information as may be relevant.

4.2.4 Where *Subsidiaries* are created there will be compliance with paragraph 5.13.2.

5. OPERATION AND CONTROL

5.1 Board Responsibilities

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

- (a) establishing annual and long-range strategies and plans consistent with the provisions of this Direction;
- (b) establishing policies consistent with the articles of this Direction and the *SHRA* and all other relevant legislation;
- (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) appointing the officers of *TCHC* and appointing the senior officers of the *Subsidiaries*; and
- (f) managing and directing all labour and employee-relations matters.

5.2 Qualifications of Directors

In naming directors to the *Board* the *Shareholder* will give due regard to the qualifications of *citizen* candidates, and ensure that the *Board* collectively represents a range of relevant expertise including:

- (a) knowledge of the social housing area;
- (b) housing advocacy;
- (c) community development;
- (d) *business* and financial management;
- (e) understanding of corporate governance responsibilities;
- (f) organizational development;

5.2 Qualifications of Directors (cont'd)

- (g) labour relations;

- (h) legal aid experience; and
- (i) social services for hard-to-serve *tenants*.

5.3 Composition of the Board

The *Board* will be composed of 13 Directors, comprised of 9 *citizens*, 2 of whom shall be *tenants* and 4 members of *Council*, one of whom shall be the Mayor, or the Mayor's designate.

5.4 Nomination process

5.4.1 *Council* member nominations

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.

5.4.2 Citizen nominations

Members who are not nominated through the tenant nominations process outlined in paragraph 5.4.3, and which may include *tenants*, will be nominated for appointment to the *Board* by recommendation of the Nominations Committee, arrived at through a process approved by *Council* from time to time.

5.4.3 Tenant nominations

Tenants will be nominated for appointment to the *Board* by the Nominations Committee, or any other 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 Nominations Committee will be forwarded to *Council*.

5.5 Eligibility for appointment to the Board

To be eligible for *Board* membership, the *person* must not be disqualified from being a director under the *OBCA*, and shall be a resident Canadian as defined in the *OBCA* (Canadian *citizens* or Landed Immigrant), and residing in or pay property taxes to the *City*.

5.6 Chair

The *Shareholder* will select the *Chair* of the *Board* of Directors and the *Board* will elect the *Shareholder*-selected *Chair*. 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 to ask the *Board* to elect a *Chair* from among its members.

5.7 Vacancies

If a member of the *Board* ceases to be a director for any reason, the *Shareholder* will fill the vacancy created thereby as soon as reasonably possible. If a member of the *Board* of Directors of any *Subsidiary* ceases to be a director for any reason, *TCHC* will cause the vacancy to be filled by another director or officer of *TCHC* as soon as reasonably possible.

5.8 Term

5.8.1 The term of the first *City*-appointed *Board* will start on the date of appointment by the *Shareholder* and end on December 31, 2003, or until a successor is appointed.

5.8.2 Thereafter, the term of the *citizen* and tenant directors will be for a period of three years. The term of Councillor Directors will be for a period of 18 months. Directors may be re-appointed to the *Board*.

5.9 Conflict of Interest Policy

The directors and officers of *TCHC* and the *Subsidiaries* will strictly abide by the requirements of the *OBCA*, the *SHRA*, and any related *TCHC* policy in respect of conflicts of interest, including any requirements in respect of disclosure and abstention from voting.

5.10 Confidentiality

The directors and officers of *TCHC* and the *Subsidiaries*, and the *Shareholder* will ensure that no confidential information of *TCHC* is disclosed or otherwise made available to any *person*, except to the extent that:

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

the *Shareholder* and *TCHC* will abide by all terms of the *Municipal Freedom of Information and Protection of Privacy Act*.

5.11 Remuneration

The remuneration of the members of the *Board* for their services as directors will be as authorized by *Council* from time to time. *TCHC* will reimburse Directors for all reasonable expenses.

5.12 Removal of Directors

A Director may be removed from the *Board* in accordance with the *OBCA*. 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) engagement in activities that are deemed by the *Board* to have an adverse impact on the duties as *Board* members; and
- (d) ceases to meet the eligibility criteria of a *Board* member as described in Section 5.5 above.

5.13 Board of Directors of Subsidiaries

5.13.1 Subject to any matters requiring approval of the *Shareholder* pursuant to this Direction, the *business* and affairs of the *Subsidiaries* will be managed or supervised by their respective boards of direc-

tors. *TCHC* will appoint the Directors of the *Subsidiaries* from among the directors and officers of *TCHC* or establish a process for the nomination and appointment of the Directors.

5.13.2 *TCHC* will establish *Shareholder* Directions for *Subsidiaries* that are consistent with this Direction and ensure accountability to *TCHC*.

6. Shareholder MATTERS

6.1 Decisions of the Shareholder

The following will apply to any approvals or decisions that the *Shareholder* must provide:

- (a) all approvals and decisions will be communicated writing signed by an authorized signatory of the *Shareholder*; and
- (b) where *Shareholder* approvals are required *TCHC* will give reasonable advance notice in writing of the need for approval and will provide such information as is reasonably necessary for the *Shareholder* to make an informed decision regarding the subject matter requiring approval.

6.2 Matters Requiring Shareholder Approval under the OBCA

In accordance with the provisions of the *OBCA*, neither *TCHC* nor any *Subsidiary* will, without the approval of the *Shareholder*:

- (a) apply to make changes to the 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 *TCHC*;
- (f) change the *Auditor*;
- (g) make any change to the number of directors comprising the *Board*; and
- (h) enter into any transaction or take any action that requires shareholder approval pursuant to the *OBCA*.

6.3 Other Matters Requiring Shareholder Approval

6.3.1 Without the approval of the *Shareholder* *TCHC* 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 redevelopment projects, or material changes in the number or distribution of rent-geared-to-income units, including changes to targetting plans, without prior approval of the *Shareholder*;
- (d) appoint new directors to fill vacant positions on the *Board*; and
- (e) pass or amend any by-laws
 - (i) with respect to the composition or number of Directors or the term of Directors; or
 - (ii) that are that are inconsistent with this Direction.

6.3.2 *TCHC* will, where by-laws and by-law amendments have been approved and implemented by the *Board*, seek *Shareholder* approval for such by-laws and by-law amendments. Where such approval is denied, *TCHC* will cease to implement such by-laws and by-law amendments.

6.4 Regulatory Matters

6.4.1 Social housing

Social housing legislation, regulations, programs and existing operating agreements set a complex framework for the administration of *TCHC* housing. *TCHC* is managing programs under federal and provincial jurisdiction. There is, in this context, the possibility of conflict between approval or direction or other requirement of the *Shareholder* under this Direction and any decision, order or policies of any *Program Administrator* as these relate to the administration of programs and interpretation of regulations under the *SHRA*. Where such conflicts are identified, *TCHC* will:

- (a) notify all parties of such conflicts and request to consult on how best to meet the interest of the *Shareholder*; and
- (b) seek the cooperation of the *Program Administrator* in ensuring that issues that require provincial intervention are rapidly resolved; and
- (c) after the consultation outlined above notify the *Shareholder* whether the specific direction can be met or whether the province or other regulatory authorities have a greater authority in the matter at hand.

6.4 Regulatory Matters (cont'd)

6.4.2 Other legislation

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

7. FUNDING RELATIONSHIP WITH *City* AND OPERATING AGREEMENT

7.1 General

7.1.1 Provincial and federal devolution of housing program responsibilities has given the *City* a dual role in social housing – that of an owner of *TCHC*, which in turn owns a large portfolio of housing, as well as that of being the administrator of social housing programs. *TCHC* and other social housing providers in the *City* participate in these programs. Through the *SHRA*, the Province has considerable powers over the *City* as a *Program Administrator*, and over *TCHC* as a housing provider. The powers of *TCHC* and of the *City* as *Shareholder*, may, in certain circumstances, be subject to Provincial authority.

7.1.2 The role of the *City* as *Program Administrator* is governed by the *SHRA* and for *TCHC* will be defined in an Operating Agreement with *TCHC*. The parameters of such agreement are identified in subsections 7.2 and 7.3 below, and relate to implementation of the flow of subsidies, detailed program-level reporting and other such issues.

7.2 Operating Agreement Principles

Within the first six months of the appointment of the new *Board* of Directors, *TCHC* will negotiate and enter into an Operating Agreement with the *City*, through its Commissioner, Community and Neighbourhood Services. The Operating Agreement will be based on the following principles:

- (a) both parties will seek to ensure stable and predictable funding for *TCHC* to mitigate any impacts on *tenants* from program funding decisions;
- (b) both parties will seek to simplify and harmonize the social housing program structures and funding models in order to reduce administration costs; and
- (c) the *City* will require timely information required to prepare budgets and fulfil its reporting obligations to the Province and other agencies.

7.3 Operating Agreement Contents

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

7.3.2 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 *TCHC*;
- (b) format and timing for provision of budget information to the Shelter, Housing and Support in order to prepare their budget;
- (c) format and timing for program reporting required by Shelter, Housing and Support to fulfil *City* obligations under the *SHRA*;

7.3 Operating Agreement Contents (cont'd)

7.3.2.

- (d) method and timing for the payment of subsidies to *TCHC*;
- (e) method for calculation of the amount payable to *TCHC*; and
- (f) identification of the *Program Administrator's* delegated responsibilities to *TCHC* under the *SHRA*.

7.4 Other City Program Funding

7.4.1. The *City* may, from time to time, request of *TCHC* that it perform certain functions and assume certain responsibilities that include but are not limited to:

- (a) operation of a centralized waiting list system for applicants to social housing in the *City*;
- (b) operation of a rent supplement program; and
- (c) management of support programs for *tenants* in *TCHC* buildings.

7.4.2 In these and all other areas in which the *City* requests that *TCHC* perform functions that are not mandated functions of a non-profit housing provider under the *SHRA*, the *City* and *TCHC* will enter into agreements that include:

- (a) the level of funding to be provided for performance of functions;
- (b) the conditions and performance expectations of the *City*; and
- (c) the accountability requirements of *TCHC* in undertaking these functions.

7.4.3 The *City* will not impose on *TCHC* functions and obligations that are not identified in the *SHRA*, or that are not agreed to in the Operating Agreement without prior consultation and identification of the administrative, operational and cost impacts. The Commissioner, Community and Neighbourhood Services will determine when there is a requirement to seek *Council* approval, and seek such approval for agreements other than the Operating Agreement referenced above.

8. GOVERNING DIRECTIONS

8.1 Tenant Participation

8.1.1 Prior to September 30, 2002, *TCHC* and the *tenants* will develop 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;
- (d) be based on the best practices current systems in place in *MTHC* and *THC*; and
- (e) include a process to identify two *tenants* to be proposed for appointment to the *Board* as contemplated by paragraph 5.4.3.

8.1.2 The system of tenant participation will respect the terms of this Direction and the financial targets and performance benchmarks that are established for *TCHC* by any *Program Administrator*.

8.2 Employment and Related Matters

The *Shareholder* expects that:

- (a) *TCHC* 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; and
- (b) *TCHC* will be responsible for determining how the obligations in clause 8.2(a) are to be carried out, recognizing its responsibilities as a public sector employer that is a model to the community.

8.3 Other matters

8.3.1. *TCHC* will, within the first year of operation, and in consultation with *tenants* and their representatives, and other parties as required:

- (a) implement in the first year of operation an eviction prevention policy with an aim to reduce evictions for non-payment of rent and maintain the tenancies of households experiencing financial difficulties in paying rent;
- (b) ensure that there will be a system of local accountability established between *TCHC* and *tenants* such that *tenants* are informed of the budget for the communities in which they reside, capital plans, and that there is regular reporting on the achievement of the budget targets and progress on plans for repairs and renovations;
- (c) implement in the first year of operation 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 *TCHC* and allows for the review of operational decisions at a senior level within *TCHC*; and
- (d) put in place tendering and purchasing practices that ensure that *TCHC* will manage all financial transactions in a transparent and open manner.

8.3.2 *TCHC* will report on matters identified in subsections 8.1, 8.2 and 8.3 in the Annual Report and/or the *Community Management Plan*.

8.4 Member of the social housing sector

TCHC will 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. *TCHC* will advocate on behalf of *TCHC* and other social housing providers on issues related to the supply, quality and affordability of housing in the community.

9. ACCOUNTABILITY

9.1 *Community Management Plan*

9.1.1 The *Board* will approve and submit to the *Shareholder* a *Community Management Plan* developed in accordance with this Section 9.1, for *TCHC*'s 2002-2004 fiscal years by December 31, 2001 or any other date set by the *Shareholder* in consultation with the *Board*.

9. ACCOUNTABILITY (CONT'D)

Community Management Plan (cont'd)

9.1.2 In each subsequent year *TCHC* will submit to the *Shareholder* its next *Community Management Plan* to permit consideration at its October meeting, or any other date set by the *Shareholder* in consultation with the *Board*. Each such plan will cover a rolling three-year period, and include a long-range outlook beyond the plan horizon.

9.1.3 Each *Community Management Plan* will outline for a period of three years:

- (a) anticipated results for the year in progress;
- (b) key issues facing *TCHC*;
- (c) key strategies to be implemented to resolve key issues facing *TCHC*;
- (d) aggregate budget estimates;
- (e) financial targets and performance measures in accordance with Section 10.3;
- (f) service level targets and changes;
- (g) environmental and energy efficiency targets; and
- (h) major initiatives to be undertaken by *TCHC* in the medium and long term.

9.1.4 In the context of the *Community Management Plan* *TCHC* will identify the issues and directions of *TCHC* in management of its housing portfolio, including any proposals to convert to co-operative housing corporations or implement other forms of self-management.

9.1.5 *Council* will provide comment to the *Board* on the Plan, the financial targets and major initiatives. Such comment will be included in the preparation of detailed action plans approved by the *Board*. The spending estimates included in the *Community Management Plan* will form the basis of *TCHC* component of the budget requirement to be included in the Community and Neighbourhood Services budget estimates for social housing programs.

9.2 Annual Report

9.2.1 Within 120 days after the end of the fourth fiscal quarter, *TCHC* will prepare an annual report and submit this report to the *Council*, through the Policy and Finance Committee. This report will include:

- (a) 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 *Community Management 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*;
- (b) information that is likely to materially affect the *Shareholder's* financial objectives;
- (c) information that is likely to materially affect *tenants'* views or opinions regarding *TCHC*;
- (d) 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;

9.2 Annual Report (cont'd)

9.2.1

- (e) information regarding the performance of *TCHC* such that the *Shareholder* can determine that the *Shareholder* Direction has been respected;
- (f) any such additional information as the *Shareholder* may specify from time to time; and
- (g) information regarding the number of evictions each year, the rationale and the cost of these evictions.

9.2.2 *TCHC*'s Annual Report will be consistent with, but not in lieu of, other reporting that the *Program Administrator* may require that is consistent with the social housing program funding requirements or otherwise agreed to by the *Board*.

9.3 Access to Records

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

9.4 Audit

9.4.1 The auditor will be appointed in accordance with the *OBCA*. *TCHC* will determine the remuneration for the *Auditor*. The annual consolidated and unconsolidated *financial statements* of *TCHC* will be audited by the *Auditor*.

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

9.5 Accounting

TCHC 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.

9.6 Annual Financial Statements

The *Board* will deliver, as soon as practicable and in any event within 120 days after the end of each fiscal year, the audited consolidated Financial Statements of *TCHC* for consideration by the *Shareholder*.

10. FINANCIAL PERFORMANCE

10.1 Financial Performance

The *Board* will use its best efforts to ensure that *TCHC* meets the financial performance standards set out in each *Community Management Plan*.

10.2 Financial Performance Targets

TCHC will set out in each *Community Management Plan* financial targets, based on benchmarks to be set by regulations pursuant to the *SHRA* or established in the Operating Agreement or *Community Management Plan*. The *Board* will report all variance against these benchmarks in the annual reporting (see subsection 9.2 above).

11. SUCCESSOR RIGHTS

The *Shareholder* acknowledges that *THC's* assets and undertaking are being transferred to *MTHC*, re-named as Toronto Community Housing Corporation (*TCHC*) and that this transfer amounts to a sale of *business* within the meaning of the *Labour Relations Act*. The *Shareholder* also requires that *TCHC's* *Board* of Directors consider at its first meeting the matter of the sale of *business* and whether *TCHC* is also of the view that this transfer amounts to a sale of *business*.

12. AMENDMENTS

This Direction may be amended solely at the discretion of the *Shareholder*. The *Shareholder* will provide prior written notice to the *Board*, no less than 6 weeks prior to any proposed amendments to this Direction.

DATED at Toronto as of this 4th day of October, 2001.

CITY OF TORONTO

by

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by:
