



City of
Peterborough

To: Members of the Committee of the Whole

From: Malcolm Hunt, Director, Planning and Development Services

Meeting Date: September 26, 2016

**Subject: PLPD16-072
Peterborough Housing Corporation (PHC) Shareholder Direction
and Capital Reserve Transfer**

Purpose

A report to recommend PHC Shareholder Direction amendments and the transfer of the PHC Capital Reserve to PHC Board oversight.

Recommendations

That Council approve the recommendations outlined in Report PLPD16-072 dated September 26, 2016, of the Director, Planning and Development Services, as follows:

- a) That staff be authorized to make the minor amendments to the Peterborough Housing Corporation (PHC) Shareholder Direction as outlined in Report PLPD16-072 to improve business relationship clarity with the Service Manager and Shareholder and empower PHC to manage its business affairs on behalf of the Shareholder, in the public interest.
- b) That a by-law be passed to authorize the Mayor and Clerk to execute the amended Shareholder Direction.
- c) That the PHC Capital Reserve fund currently being held by the City of Peterborough be transferred directly to PHC for management oversight in keeping with the business practices for all other Housing Providers under the City's administrative responsibility as Service Manager.

Budget and Financial Implications

There are no budget and financial implications arising out of the adoption of the recommendations.

Background

Long Term Affordable Housing Strategy:

In March of 2016 the Province released its update of the Long Term Affordable Housing Strategy. One of the key changes in provincial thinking advocated by the Strategy is to liberate Service Managers from the onerous burden of “Municipal Consent”. This process requires Service Managers to seek approval from the Province for most actions that impact any property where the province retains some liability, such as the funding of an old provincial debenture debt that may be attached to a former public housing project. Generally this tedious approval process has frozen the social and affordable housing sector in its tracks.

The Province is now seeing the asset value of its decades of investment in social housing and wants Service Managers to be able to leverage that asset value to advance the housing causes under its jurisdiction. For Peterborough Housing Corporation this new thinking opens a world of possibilities. PHC has just completed a Capital Planning and Community Revitalization Strategy – one of the first housing corporations in the province to complete this comprehensive look at its portfolio through the new lens of liberation. The leadership of PHC now sits at a provincial table to share its best practice and influence provincial housing policy development.

End of Debentures and Expiry of Operating Agreements:

The release of the strategy also aligns with an Ontario reality. Affordable housing communities that were developed in the 60’s (public housing, like Peterborough Housing Corporation) and Federal and Provincial non-profit housing communities developed in the 80’s and 90’s are all approaching the end of their funding ties to senior levels of government or their operating agreements. In short, the affordable housing system in the Province is about to undergo transformative change. Some housing providers may elect to exit from any further relationship with the Service Manager, for any number of valid reasons. What does not change however is the City’s obligation, as Service Manager, to maintain the number of social housing units within its jurisdiction at the time social housing responsibilities were downloaded to municipal governments. These supply targets or Service Levels do not change regardless of how the housing environment may change.

Over the last decade PHC has developed 250 new affordable housing units. Since these units were created **after** the establishment of Service Level targets, the wisdom of PHC's journey into new affordable housing development will become evident and assist the Service Manager to meet service level targets. And there is so much more that can be done and PHC is ready to deliver.

PHC Operational Review:

In 2016 a third party review team of housing professionals completed a comprehensive operational review of Peterborough Housing Corporation as mandated under the **Housing Services Act**. The review concluded that PHC remains a leader in the Province, is regarded by its industry peers as an agent of change, and is well-positioned to assist the Service Manager in all of its social housing responsibilities. The Operational Review of PHC and the Organizational Review of the Service Manager gave full marks to the creative thinking of Council and the Service Manager which has created an entrepreneurial spirit at PHC and amongst the broader housing sector. The City's Community Improvement Plan for Affordable Housing was recognized by the review team as ground-breaking policy reform.

Implications for the Shareholder Direction:

The foregoing reviews have provided the right context for the Service Manager and PHC to review the Shareholder direction that the activities of PHC are governed by and to identify opportunities for change that continue to implement the entrepreneurial spirit of the Service Manager, the liberating attitude of the Province and the readiness of PHC to deliver. The proposed amendments are more housekeeping than anything and are intended to improve relationship clarity with the Service Manager and Shareholder and empower PHC to manage more of its business affairs on behalf of the Shareholder, in the public interest.

The following principles highlight the recommended amendments to the Shareholder Direction:

1. Expanding PHC's Core Business Description:

In the new housing environment PHC may elect to develop some market housing or include commercial space in its properties as a way to improve the social mix, financial sustainability and the overall affordability of its communities. This expanded core business should be clarified in the Shareholder Direction and Articles of the Corporation.

2. Recognizing PHC as a Resource to the Service Manager:

The Shareholder Direction should explicitly identify PHC as a resource to the City. This clarity would not only recognize PHC's historical role in the community as a recognized expert in the field but also that the Service Manager may direct that PHC become the vehicle to bring other housing projects out of difficulty, provide

housing management services in unusual events or circumstances, and even absorb social housing communities that no longer have the resources or aspirations to operate independently. The Shareholder Direction should identify PHC as an active participant in City homelessness and housing policy development.

3. Clarify the Service Manager and PHC Business Relationship:

Language should be added to the Shareholder Direction that reflects the objective that PHC be regarded as the City's housing development company and the reciprocal expectation that the City will look for ways to assist PHC expand affordable housing opportunities and its community revitalization objectives. Council has already begun to recognize this mutually supportive relationship when it approved the redevelopment of the McRae property in 2014 (PLPD14-046) as follows:

"That Council acknowledge that PHC will develop the property under the flexibility granted to the City of Peterborough in the Zoning By-law to carry out any lawful purpose of the City."

Recently with the purchase of 808 Sherbrooke Street (PLPD16-056) Council adopted the following resolution which actions a mutually supportive relationship between PHC and the City.

"That the portion of the property not required for road widening purposes and unavailable to be independently developed be conveyed to Peterborough Housing Corporation to support its Capital Planning and Community Revitalization Plan."

4. Clarify Matters Requiring Shareholder Approval:

Where Council approves a business plan to guide PHC's activities or in the case of the upcoming Capital Planning and Community Revitalization Strategy where council approves a **program** of change, such as the revitalization of certain properties, the refinancing of certain properties, the borrowing of funds, the sale of certain properties, or the acquisition of property, the Shareholder Direction should allow the implementation of the individual parts that make up the plan to proceed without further Shareholder approval. This will give room for PHC to become a nimble housing company, something necessary in an entrepreneurial environment. Again, Council has already implemented this principle with the Shareholder's approval of the McRae purchase (PLPD14-046) by adopting the following resolution:

"That, pursuant to Article 5.3 of the Shareholder Direction, the City of Peterborough as the sole shareholder of PHC, authorizes the Board of PHC, following an evaluation of its current building and property assets, to dispose of and/or leverage certain assets of the Corporation to purchase and develop 555 Bonaccord Street in order to further the objectives of the PHC."

5. Additional Clarification re: Board of Directors:

The Shareholder Direction currently identifies the Director of Planning and Development Services as the Shareholder's Official Advisor to the Board in addition to the City's elected representative. For greater flexibility the Direction should read "or designate" to allow the Shareholder's Official Advisor to be a different position, a different individual or even an alternate in the event of absence. In the new housing era a specific skill set of a Board Member should also include Real Estate Development and Real Estate Financing skills.

Other recommended amendments to the Shareholder Direction reflect changes to legislation, grammatical improvements, text adjustments in multiple sections to reflect the broad principles above, and reasonable stream-lining of PHC reporting. For example, the current Shareholder Direction requires quarterly reporting to the Shareholder. This is onerous given that PHC is focused on running a housing operation and the value of the information on a quarterly basis to the Shareholder is limited. The annual report to the Shareholder is considered to be sufficient and practical.

The City Solicitor and the Director of Corporate Services have reviewed the recommended language amendments and the 5 principles noted in this report and agree that such changes are helpful and appropriate under the circumstances. If Council supports the recommendations of this report, staff would make the necessary revisions to the Shareholder Direction and when completed a by-law would be placed on a future council meeting agenda authorizing the Mayor and Clerk to execute the amended Shareholder Direction.

PHC's Capital Reserve:

Related to the recommended clarifications within the PHC Shareholder Direction is the appropriateness of allowing PHC to have management control over its own Capital Reserve. PHC is the only housing provider that presently does not manage its own capital reserve. In addition, it is the only provider that does not have an annual guaranteed reserve fund contribution with funds provided by the Service Manager. PHC, being the former public housing stock, created by the province, never had a capital reserve upon devolution but has relied on the receipt of a fairly static annual capital contribution for the past 16 years. Amongst all former public housing providers PHC's per unit capital budget is one of the lowest. The Service Manager recognized this risk about 10 years ago and created a \$1.0M capital reserve for PHC funded over 5 years. In recent budget years the Social Housing budget has planned for an annual contribution to the reserve. The current reserve balance is approximately \$1.5 million.

In 2015 a large draw on the capital reserve was made to modify water services at several town house communities in response to PUC's introduction of water meters. The funds were requisitioned from the City and the transfer to PHC was ultimately acknowledged in a Council approved quarterly report. This reporting function takes time and implies that the Council-appointed PHC Board does not have control over the use of the Capital

Reserve specifically built for the Corporation's use. For all other Housing Providers the annual funding allocation issued by the Service Manager includes funds for a capital reserve contribution that is held by the non-profit housing corporation and managed by them. Periodic Operational Reviews completed by the Service Manager assess the provider's management practices of the funds. The recommendation to allow PHC to manage its own Capital Reserve simply puts the Corporation on par with other providers.

Summary

PHC is an organization to be valued and admired. The staff are committed to being the best in their field, the CEO of the organization is visionary and the board is actively engaged. PHC is, by ownership and spirit, the City's housing company. Council annually appoints its Board of Directors and so Council ultimately has full control of the long range direction of the organization. The recommendations of this report promote the continued advancement of PHC and its core mission to be a housing provider of choice.

Submitted by,

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