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| TO: | CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON OCTOBER 26, 2015 |
| FROM: | SANDRA DATARS BERE MANAGING DIRECTOR, HOUSING, SOCIAL SERVICES AND DEARNESS HOME AND JAMES P. BARBER CITY SOLICITOR |
| SUBJECT: | HOUSING DEVELOPMENT CORPORATION, LONDON INCORPORATION AND INITIAL CORPORATE ORGANIZATION |

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| RECOMMENDATION |
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That, on the recommendation of the Managing Director, Housing, Social Services and Dearness Home and the City Solicitor, the following actions **BE TAKEN** with respect to the Housing Development Corporation, London ("HDC"):

1. the attached proposed by-law (Attachment "A") **BE INTRODUCED** at the Municipal Council Meeting to be held on October 27, 2015, to:
 - a) appoint Arthur Zuidema, Martin Hayward and Sandra Datars Bere as the first directors of HDC;
 - b) approve, ratify and confirm the documents required for the organization of HDC including the resolutions of the shareholder substantially in the form as attached to Schedule "A" to the By-law;
 - c) authorize the Mayor and the City Clerk to execute the documents required for the organization of HDC including the resolutions of the shareholder noted in b) above.
2. HDC **BE DIRECTED** to report back to the Strategic Priorities and Policy Committee (SPPC) regarding the appointment of future board members, the annual shareholder meeting and a draft shareholder declaration.
3. Solicitors in the City Solicitor's Office **BE AUTHORIZED** to act as Solicitor for, provide legal services to and report directly to HDC related to its establishment, organization, set up and initial business activities provided that, in the event of any conflict or potential conflict between the Corporation's interest and the interest of HDC, Solicitors in the City Solicitor's Office shall provide legal services only to the Corporation.

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| PREVIOUS REPORTS PERTINENT TO THIS MATTER |
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| September 2, 2014 | Strategic Priorities and Policy Committee (SPPC) and Municipal Council: (IX Report of SPPC and Council Ratification) A Proposal to Establish a Housing Development Corporation (HDC) |
| April 13, 2015 | SPPC (Agenda Item 3) Orientation and Update on the Housing Development Corporation (HDC) |
| May 20, 2015 | Community and Protective Services Committee (CPSC) (Item 6) Investments in Affordable Housing (IAH) Program Recommendations |

September 22, 2015 CPSC (Item 7)

Assignment of Rental Component of Administration Agreement for the Investment in Affordable Housing to the Housing Development Corporation

BACKGROUND

On September 2, 2014, Municipal Council passed by-law A-7193-339 which:

i) authorized that “a corporation with share capital be incorporated pursuant to the *Municipal Act, 2001* and the *Business Corporations Act* R.S.O. 1990, c.B.16 under the name “Housing Development Corporation, London” for the purpose of stimulating the development and sustainability of affordable housing throughout London and Middlesex communities”.

ii) nominated and authorized Art Zuidema, Sandra Datars Bere, and Martin Hayward to act as incorporators of Housing Development Corporation, London and authorized them to execute any documents or take any actions necessary to incorporate and set up the corporation.

Housing Development Corporation, London

Housing Development Corporation, London (HDC) is a municipal services corporation with share capital incorporated under the *Business Corporations Act*, R.S.O. 1990, c.B.16. HDC is managed by a Board of Directors appointed by The Corporation of the City of London as the sole shareholder.

Civic Administration has continued to advance the incorporation and set up of HDC including policies and strategies. KPMG was retained to investigate and recommend a share structure that maintains the City as sole shareholder of HDC and provides the capacity for HDC to access special shares in future business initiatives to maximize investment potential.

Ongoing affordable housing development projects have continued with proponents having been informed of the pending transition of service delivery to HDC.

HDC Board of Directors

The HDC directors oversee the business, developments, and general operation of the corporation. The incorporating HDC Board of Directors is comprised of senior City staff in accordance with Council direction of September 2, 2014. Board members owe fiduciary duties to HDC. In exercising their powers and duties they must act in good faith with a view to the best interest of HDC and exercise the diligence and skills that a reasonably prudent person would exercise in comparable circumstances.

Shareholder Resolutions related to the Incorporation

The documents in Schedule “A” of the attached draft by-law consist of the standard resolutions of the shareholder and the directors for the initial set up and organization of the corporation.

a) Resolution of the Shareholder for the Number and Election of Directors

This resolution fixes the number of directors at 3 and elects Arthur Zuidema, Martin Philip Hayward and Sandra Elaine Datars Bere as directors of the corporation. The Business Case for the corporation provides for the appointment of 3 members of Civic Administration as the initial directors to oversee the management and general operation of the corporation during the start-up period. Consistent with the Business Case, the Articles of Incorporation provide for a minimum of 3 and maximum of 7 directors. Upon

completion of the start-up, City Council as the shareholder may increase the number of directors to 7 and elect new directors.

b) By-Law No. 1

By-law No. 1 is a standard form of general or operating by-law. Its purpose is to set out in broad and general terms the rules governing the operation of HDC to the extent permitted by the *Business Corporations Act*. It addresses general matters related to HDC, such as meetings, notice, quorum, voting, directors, officers, committees, execution of documents and other matters of a general and continuing nature.

c) By-Law No. 2

By-law No. 2 is a standard form of borrowing by-law that authorizes borrowing and permits the issuing of securities by the Corporation.

d) Organizational Resolution of the Directors

This resolution:

- approves By-law No. 1 and By-law No.2;
- approves the form of share certificate for the corporation;
- sets the location of the Head Office for the corporation at 267 Dundas Street, London, ON
- authorizes the opening of a bank account with SCOTIABANK
- appoints the officers for the corporation;
- sets the year end for the corporation to December 31; and
- provides that the corporation's minute book be kept at the City Solicitor's Office.

e) Organizational Resolution of the Shareholder

This resolution:

- confirms By-law No. 1 and By-law No. 2;
- appoints KPMG as the corporation's auditor; and
- provides for the indemnification of directors and officers of the corporation.

f) Resolution Issuing Shares to the City on incorporation

This resolution authorizes the issuance of 100 Class A Common Shares to the City at the price of \$1 each.

g) Subscription for Class A Common Shares

This documents serves as written subscription by the City for 100 Class A Common Shares in the corporation at the price of \$1 each.

Shared Services

In accordance with Council's direction of September 2, 2014, HDC has been extended shared services supports from the City where those supports do not interfere with the independent operation of HDC.

City support services to HDC include office space at 267 Dundas Street. Information technology, risk management, facility, finance, payroll, purchasing and other administrative services have been extended to HDC to ensure operational efficiency.

For purchasing services, the intent is for HDC to adopt a procurement policy similar to the City's with some exceptions including provisions for affordable housing development through an open and continuous application process. This will allow HDC to engage earlier with potential proponents and assist in development plans to seek increased value and program efficiency. The associated processes will be reviewed by the City's purchasing office and approved by the HDC Board.

The Civic Administration By-law A-44 provides that Solicitors in the City Solicitor's Office shall be responsible for the provision of legal services, in accordance with Council Policy 13(1) - Legal Services and Accounts Policy, to the Corporation, Council, Committees and Civic Administration including its officers, employees and agents and for that purpose shall report and be accountable to Council. The Civic Administration By-law and Legal Services Policy permit the provision of legal services from time to time to such local boards as may be approved by Council and for that purpose may report to such local board provided that, in the event of any conflict or potential conflict between the Corporation's interest and the interest of such local board, the Solicitors shall provide legal services only to the Corporation.

It is proposed that the Solicitors in the City Solicitor's Office be authorized to act as Solicitor for, provide legal services to and report directly to HDC related to its establishment, organization, set up and initial business activities. This will provide cost containment and operational efficiencies. Given the nature of the work being undertaken related to the organization and set up of HDC, it is unlikely that a conflict will arise for the Solicitors because the interests of the Corporation and HDC will be aligned. In the event of any conflict or potential conflict between the Corporation's interest and the interest of HDC, Solicitors in the City Solicitor's Office shall provide legal services only to the Corporation.

Corporate Liaison

The Civic Administration will continue to work with HDC to explore mechanisms for other ways to support HDC's mandate through the Managing Director of Housing, Social Services and Dearness Home or her designate as the City's liaison with HDC. Civic Administration will also establish an ad hoc team of service representatives from various service areas to support HDC in the advancement of affordable housing. The City retains all other responsibilities associated with its role as Service Manager for housing.

Capital Funding

Capital funding will be retained through the City of London and accessed by HDC in accordance with current practices. Capital approvals will be administered through HDC. The City will provide shared services including accounts payable, receivable and other banking functions. HDC will retain its autonomy by directing its business activities and expenditures.

NEXT STEPS

a) Shareholder Declaration

Pursuant to the September 2, 2014 direction of Council, the preparation of a shareholder declaration is underway. The declaration will maximize business capacity and minimize shareholder liabilities related to HDC activities under all applicable legislation including the *Business Corporations Act, 1990, Municipal Act, 2001, and the Housing Services Act, 2011*.

The HDC board and Civic Administration will be reporting to SPPC with a draft shareholder declaration for review and approval by the shareholder. It is anticipated that this will be completed in the second quarter of 2016. It is noted that the shareholder declaration will expand the standard form By-laws No. 1 and 2 noted above and in that regard will include appropriate conditions and restrictions on the powers of the directors to manage the Corporation. The City currently has shareholder declarations in place for London Hydro Inc. and London & Middlesex Housing Corporation.

b) Appointment of Future Board Members

The initial HDC Board is charged with the management and supervision of the start-up of the corporation. For this reason, and notwithstanding Council Policy 526, on September 2, 2014 Council authorized that the initial directors be members of the Civic Administration. The Board reports to Council through the appropriate standing committee as needed or required. This

interim board will remain in place until the corporate set-up is complete and the Council has selected and appointed the new directors.

c) Annual Meeting of the Shareholder

Similar to London Hydro Inc. and the London & Middlesex Housing Corporation, HDC will report to the shareholder annually in accordance with the *Business Corporations Act, 1990*. In addition to the legislative requirements, strategic policy direction and new program commitments made by HDC will be reported at the annual shareholder meeting.

It is anticipated that a first annual meeting of the shareholder will be held in the spring of 2016. Any shareholder approvals required prior to the annual meeting of the shareholder will be directed through SPPC.

Acknowledgments

This report was prepared with information and assistance of Louise Stevens, Martin Hayward, Anna Lisa Barbon, and KPMG.

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| SUBMITTED BY: | SUBMITTED BY: |
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| STEVE GIUSTIZIA MANAGER, HOUSING SERVICES | JENNIFER A. SMOUT SOLICITOR |
| RECOMMENDED BY: | RECOMMENDED BY: |
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| SANDRA DATARS BERE MANAGING DIRECTOR, HOUSING, SOCIAL SERVICES AND DEARNESS HOME | JAMES P. BARBER CITY SOLICITOR |

- Att. 1. Attachment "A" By-law
- 2. Schedule "A" of By-law

- c. Arthur Zuidema, City Manager (Member, HDC Incorporating Board)
Martin Hayward, Managing Director, Corporate Services, City Treasurer and Chief Financial Officer (Member, HDC Incorporating Board)
Anna Lisa Barbon, Director, Financial Services