



August 23, 2019

City Clerk's Office  
Barb Westlake-Power, Deputy City Clerk  
300 Dufferin Avenue  
PO Box 5035  
London, ON N6A 1V5

**Re: Delegation Status at Strategic Planning and Priorities Committee Meeting**

Dear Ms. Westlake-Power:

The London & Middlesex Community Housing (LMCH) would like to formally request delegation status at the Strategic Planning and Priorities Committee (SPPC) meeting scheduled for Monday, August 26, 2019 to address the City's report entitled "City Of London Service Review: Review Of Service Delivery For Housing".

Given the importance of this report and the resulting implications that the recommendations may have on our organization, LMCH would like to highlight our responses and propose alternatives for consideration by council. We are including our written submission to be included and request a five minute delegation presentation as well.

We look forward to meeting with the City of London and the opportunity to discuss this important and highly anticipated report. Please kindly confirm our status.

Sincerely,

A handwritten signature in blue ink that reads 'Sean Quigley'.

Sean Quigley  
Board Chair

Cc: LMHC Board

Dave Purdy, Manager of Housing Services  
Sandra Datars Bere, Managing Director, Social Services, Housing and Dearness Home  
Martin Hayward, City Manager  
Cathy Saunders, City Clerk

**SUBJECT:** LMCH Response City of London Service Review: Review of Service Delivery for Housing

**DATE:** August 23, 2019

**FOR:** Strategic Priorities and Policy Committee (SPPC) Meeting on August 26, 2019

**FROM:** London & Middlesex Community Housing (LMCH) Board of Directors and Senior Leadership Team

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**Purpose:**

The purpose of this submission is to provide a written response to the Civic Administration staff and KPMG report regarding the Review of Service Delivery for Housing. LMCH wishes to provide clarity on current state of vacancies and to clarify the value and importance directing civic administration to continue to draft new articles of incorporation for LMCH inclusive of the recommendations presented in the KPMG report.

**Our Recommendation:**

- 1) That the following written response be **RECIEVED** for consideration in response to the report "City of London Service Review: Review of Service Delivery for Housing"
- 2) That Municipal Council, notwithstanding the recommendations of KPMG:
  - a) **APPROVE** the Amended Articles of Incorporation as previously submitted (Restrictive Version) through a Special Resolution of the Sole Shareholder (Attached as Appendix C) and
  - b) **DIRECT** Civic Administration to work with LMHC staff to create a new Shareholder Declaration for the Annual Shareholder Meeting to be held in June 2020, which among other considerations defines and supports appropriate accountability respecting elements of the overall housing portfolio, supports meeting the direction of objectives of LMCH approved Strategic Plan, and advancement of Municipal Council's approved regeneration plan.

**Overview:**

The KPMG report identifies two specific challenges within London Middlesex Community Housing (LMCH); vacancy and governance/oversight. Both concerns have been raised by the organization itself over the previous three years and the data within the report is not representative of the significant work that the Board and Staff have undertaken to address both. The facts are:

- vacancy is being addressed through a strategy that has already seen the rate reduce by nearly 2% since the KPMG data was analyzed and will reduce vacancy to 2% overall by the end of 2019 (Appendix B)

- The Board of Directors have taken specific steps to improve governance of LMCH, undertaking the following:
  - Redefined its committee responsibilities, updated board protocols and policies and undertaken governance training
  - Working with other Boards and Commissions to propose shared recommendations to the Governance Committee to have improved appointment process and shared approaches to board development
  - Board evaluation, Board member orientation and updated Code of Conduct policy

Additionally, despite the financial constraints the organization has made positive changes and has been building momentum as the LMCH team is committed to the vision to provide “healthy homes and communities in London and Middlesex leading by example, LMCH will help make a difference and positively impact lives using housing as the foundation.” Important to note are the following service improvements:

- Development of LMCH regeneration strategy
- Asset Management Plan
- CARE service standards for customer service
- Key Performance Indicator Development and Measurement
- Application to CMHC for renew and repair investment
- Tenant Engagement and Development strategy that strengthens partnerships and tenant support services
- A robust multi-year budget submission with corresponding business cases have been developed to address our capacity needs, enhanced safety and security for our buildings, tenant support services, adequate capital investment to improve maintenance.

The organization has been articulating the growing needs of the current social housing stock within LMCH's portfolio from both capital and social needs perspective, highlighting organizational capacity challenges and resource gaps. The KPMG public report though limited in scope and having only evaluated a single critical area of housing delivery (vacancy) has essentially confirmed the same findings as we have been raising and have been identified through other assessments such as the Price Waterhouse Cooper report of 2017.

The broken RGI system that LMCH evolved from has not been improved in over 50 years, and the organization has been fraught with challenges since devolution from the Ontario Housing days. Like many other Local Housing Corporations, the lack of increased capital investment and minimal operational increases in the face of aging infrastructure has impacts on service. The KPMG report compared us with a selection of LHC's in regards to vacancy turn over, similarly when compared with a select group of LHC's in Ontario LMCH is funded 16% lower than the next lowest funded LHC on a per unit basis and 33% lower than the average of the same group. (see attached infographic Appendix A)

We share KPMG's assessment of the current state that indicates status quo approaches are not meeting current service needs. This very assessment of the challenges, makes the KPMG recommendation not to amend the shareholder agreement and articles of incorporation confusing as many of the solutions to the identified issues require adjustments to these governing documents. LMCH has identified and presented strategies which have been endorsed by council to address some of these concerns. As per our Shareholder meeting in 2018 and subsequent report to SPPC on March 4, 2019. (Appendix C)

We appreciate KPMG's acknowledgement of the value LMCH offers to the community. We identify that the recommendations in the report have inherent opportunity within them for

improvements to service delivery for LMCH and we are committed to working with Housing Services and the City to implement many of these recommendations.

## **Detailed Responses To Themes And Recommendations Of The KPMG Report.**

LMCH will limit detailed responses to themes and recommendations made specifically pertaining to LMCH activities. Regarding HDC related recommendations, LMCH has no direct response to this theme, other than to affirm the deep need for more affordable housing within the city. This need is felt by many LMCH tenants, who, once able, wish to seek other housing opportunities and are priced out of any options within the city, limiting their choice and mobility to other forms of housing. This too adds to reduced turn over and social housing options for those on the waitlist. With the demand for social and affordable housing drastically increasing we look forward to continuing our work with the City and our Partners to create strong housing stability for all.

### **LMCH Response to KPMG Assessment of Current State of Service Delivery for Housing:**

Per civic administrations summary of the KPMG report, LMCH will address various findings indicated in the 5 key themes identified by KPMG with respect to the delivery of housing services. We will limit our responses to risks and opportunities each represent from an LMCH perspective.

- 1. The current assignment of municipal housing services, which divides same or similar services among the service providers, creates the potential for duplication and service impairment.**

LMCH agrees with this theme, however the further LMCH works towards its regeneration effort and to its asset management plan, the more impact and collaboration the organization can do the City of the London and the County of Middlesex. Therefore, it is vital that LMCH remains responsible for the regeneration of our stock and has identified the growth of our portfolio to better address the housing crisis in our community through the city of London's strategic Plan that accepted the target of 350 new homes within the LMCH portfolio by 2023. Ensuring that there is no duplication, leads to another key element when considering how to minimize this risk, which is ensuring there is still a service provider directly associated with Housing Services that can and does hold the capacity to deliver the services needed with expertise and adequate support so that service delivery is not negatively impacted through leaning out service delivery options.

- 2. LMCH's performance appears to be adversely impacted by capacity constraints, including effective governance oversight and greater than normal vacancies within its housing stock.**

Please see the Vacancy Report provided to the LMCH board of directors in June 2019, this report outlines the timeline leading up to our highest vacancy level of nearly 6% and indicates reasons and root causes of this build-up of vacancies, actions to date of the report and a strategy to ensure reducing vacancy to target of 2% by the end of 2019.

By way of update from that report, LMCH is on target to approach the 3% vacancy level by the end of Q3 2019 and anticipate achieving our 2% target. Communication with the

Service Manager regarding this effort has been ongoing and LMCH has enjoyed ongoing encouragement through a commitment to seek financial support exceeding our operating budget as we anticipate addressing this back log to have financial implications.

Specifically, LMCH wishes to address the mischaracterization of our willingness and ability to address our vacancy issues with support of additional funding and time. In the KPMG report indicates “When the Service Manager suggested additional funding in order to address the vacancy rate, LMCH declined the funding, indicating that it was unable to effectively manage the process for the use of the additional funding”. We believe that this comment is the result of a meeting held March 6, 2019 with LMCH Senior leadership and Board members During this meeting direction was given to address the vacancy issue and LMCH was to provide financial request based on the current state, LMCH indicated that it would take some time to address the issue to satisfaction and certainly an understanding that additional resources would be needed to do so provided the environment to engage on a strategy to improve. At no time would or has LMCH ever declined funding opportunities to address service improvements.

The KPMG report uses strong language and provides direct assessment of the disposition and capacity of the board of directors and LMCH’s governance structure. LMCH has been indicating concerns regarding the appointment process, governance functions as outlined in the shareholder agreement and has taken leadership in working with other boards and commissions with an intention to present recommendations to the governance committee of council for recommendations as this issue has been identified beyond our board within the city. Unfortunately, the report stops short of making clear recommendations for how to address governance issues, and constrains one such mechanism when specifically identifying not changing governing documents such as the shareholder agreement which specifically has the ability to change governance structure and accountability. LMCH suggests this is a strong factor as to why opening the shareholder agreement is essential for addressing the concerns outlined.

Oversight and management capacity in addition to overall operational capacity are deeply criticized. LMCH views this assessment as another confirmation of the resource constraints under which the organization has been operating for many years, and is only exacerbated by the aging buildings, the complexity of tenants needs and a recognition that a change in approach is necessary to produce new outcomes for tenants, communities and neighborhoods impacted by our current service delivery model. KPMG’s report only adds another external opinion that more resources are needed to deliver core services adequately. LMCH’s multi-year budget business cases indicate areas for significant investment on the operating side in order to effectively deliver on our current mandate as a social housing provider. Again, the clarity articulated in the KPMG report to address this capacity issue fully aligns with LMCH’s continuous message for the past three years However, with the recommendation that the shareholder agreement not be opened at this time, seeking other sources of funding, fundraising and generating revenue to bolster this need, leaves the full operating burden on the taxpayer and city to ensure LMCH’s capacity is better supported.

## **5. There is limited back office integration amongst HDC, LMCH and the City.**

This theme was described in ways that both indicate opportunity for integration and yet, suggest that in the case of HDC and the city that the anticipated cost savings were not fully realized. LMCH has been interested and made various requests of the City to engage in integration and shared services activities to various levels of success. Some examples

include, Lean Training, Risk Management, Capital Asset Management Planning, Planning Services, Procurement Management, HR requests for assistance and most recently working with Housing Services Homelessness division on shared technology. LMCH is willing and able to re-engage with city departments to evaluate what possibilities may exist for cost saving or more efficient delivery of services.

**6. LMCH's ability to undertake an expanded mandate is likely problematic in light of operational and governance issues.**

As indicated above LMCH agrees that there are operational and governance issues within the organization. The Board and Staff have been flagging many of these concerns and taking action to raise awareness of the capacity issues and governance challenges that exist. Interestingly, LMCH is highly motivated to deliver on the social housing mandate in a more effective manner and in a responsive way to the evolving needs of our tenants and community. Moreover, we have under Council as our shareholder's endorsement, developed a Regeneration Strategy, pursued renew and repair funding with CMHC under the Service Manager's support and direction, and provided ambitious goals around growing the portfolio of LMCH in support of the City of London's strategic plan. Each of these activities strengthen the current mandate of LMCH, but require an updated shareholder agreement.

LMCH believes the amendments to the shareholder agreement are critical foundational changes to address many of the concerns outlined in this KPMG report and as a result LMCH requests that council not leave the shareholder agreement as it is, but dedicate the staff resources to making the appropriate changes to support this report and the activities the organization has been empowered to do through the strategic plan, various council reports and the cities strategic plan.

The expanded mandate is not what LMCH has been seeking, rather, we simply wish to have the operating structures in place to permit agile and innovative approaches to meeting the mandates before us at this time.

**LMCH Response to KPMG summarized recommendations on potential courses of action:**

- 1. KPMG suggests that LMCH resolve its current performance issues, including addressing its housing unit vacancy rates. To support the resolution, KPMG suggests the mapping of critical processes which is intended to: (i) to identify the root cause of LMCH's challenges with respect to unit turn-around and overall vacancy; (ii) identify potential opportunities for enhancements to customer experience; (iii) identify potential opportunities for synergies and operational efficiencies through the integration of common functions with City services; and (iv) quantify the resource requirements necessary to support streamlined processes.**

**In addition, to support vulnerable people the reduction in vacancy rates will provide increased rental revenues.**

LMCH agrees to all of these and offers the following examples of ways that LMCH and the City of London Housing Services Division has or is currently engaged in projects related to these recommendations:

- 1) Vacancy Report to LMCH Board, and forth coming Vacancy report for council which will be delivered soon by civic administration

- 2) Tenant survey evaluating tenant experience from waitlist to being in LMCH social housing. Survey created in collaboration, collaborative reporting expected in September 2019
- 3) Synergies are being explored in addressing communication and data barriers between housing and homelessness and LMCH.

LMCH is eager to continue these endeavors and further pursue the recommendations outlined as above. LMCH will engage to the greatest of our capacity and will seek appropriate levels of staffing and service delivery to better meet the expectations of the city and the community at large. The Multi-year budget requests will anticipate creating this capacity within the organization for improved service delivery and performance of the organization.

Additionally, we are committed to working towards the vacancy target of 2% and will request on-going resources to support our ability to maintain this moving forward through our Multi-Year Budget submission.

- 2. In light of the performance issues identified, KPMG recommends that no changes to LMCH's governing documents, including its articles of incorporation, shareholder declaration and operating framework be undertaken. At the present time, KPMG suggests that the City support LMCH to focus on effectively executing on its core business prior to undertaking any expansion in activities.**

LMCH acknowledges performance issues identified in the KPMG report and could add others based on various areas of capacity need within the organization to better deliver core services. However, LMCH continues to believe that article amendments are of critical importance to the organizations ability to fully address the capacity issues and deliver what our tenants and community need from LMCH in the current housing crisis environment. We are attaching our earlier report requesting the changes to the Articles of Incorporation and Shareholder Declaration (Appendix B). And a restricted version of articles to be considered for approval at this time which would move the organization incrementally closer to the structure needed to deliver key areas that we are already involved in the planning stages of.

Additionally, LMCH urges Council to direct civic administration to work with LMCH to address any risk, but to certainly amend the articles according to the expectations before the organization related to renew and repair of units through CMHC funding application and the opportunity to seek alternate funding sources to support our operational needs in service of our tenants within our current mandate. We are comfortable with limited changes and expectations of ongoing revisions as we prove our ability to deliver, however, status quo has proven to deliver poor results and we must be provided the true opportunity to do better.

### **Conclusion:**

LMCH views the recommendations of this report to focus on a single important area of LMCH's operations (vacancy) to make recommendations that fail to recognize the improvements and activities of the organization to improve service delivery, governance and oversight and ultimately limit the options of achieving the organizations own, and shared municipal goals related to regeneration and improved opportunities for revenue options. The recommendations seem to be a move towards status quo housing service delivery, at a time when many in our community need us to deliver more.

The report affirms the resource and capacity constraints of LMCH and we hope this assessment

will be considered in addition to the business cases submitted as part of the Multi-Year Budget process. LMCH remains committed to working with the city as our Shareholder and Service Manager to collaboratively implement improvements that serve our community.

### **Inclusions**

- Appendix A How well is LMCH funded compared to other LHC's
- Appendix B Vacancy and Turn Over Report- June 2019
- Appendix C SPPC request Amendments to the Shareholder agreement and Articles of Incorporation.
- Appendix D Amended Articles of Incorporation as previously submitted (Restrictive Version) Through a Special Resolution of the Sole Shareholder

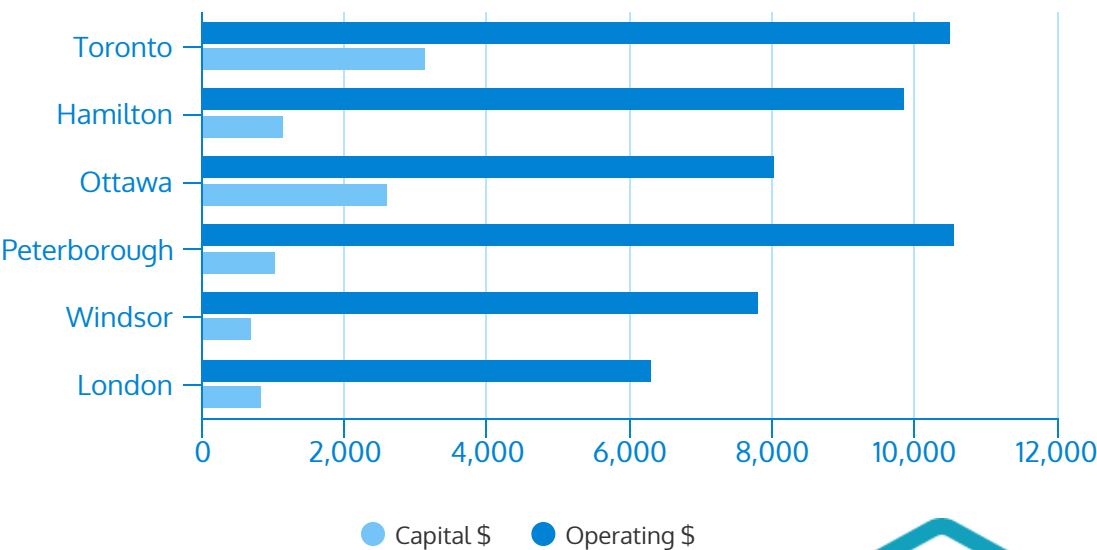


# How Well is LMCH Funded?

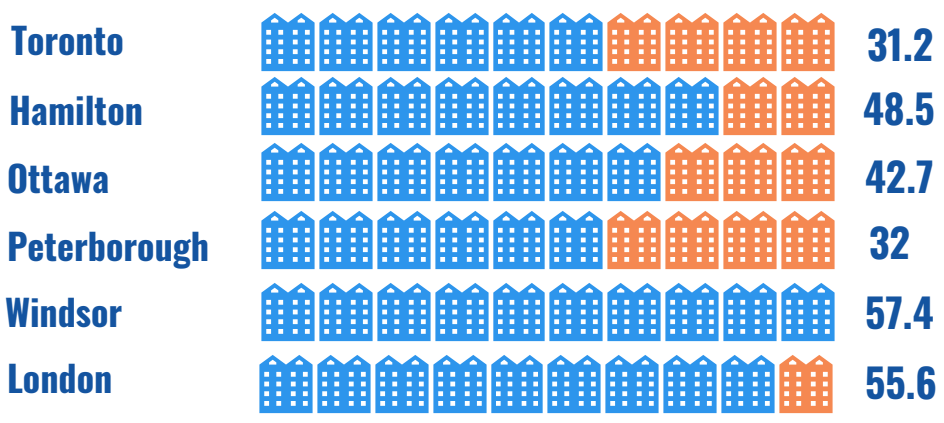
## Operating and Capital Investments (per year per unit)

LMCH receives a total of \$7176/unit/ year for both capital and operating purposes.

**LMCH is funded 16% less than the next lowest funded LHC reviewed and at 67% of the average operating investment of \$9355/unit/year of other LHC's in Ontario.**

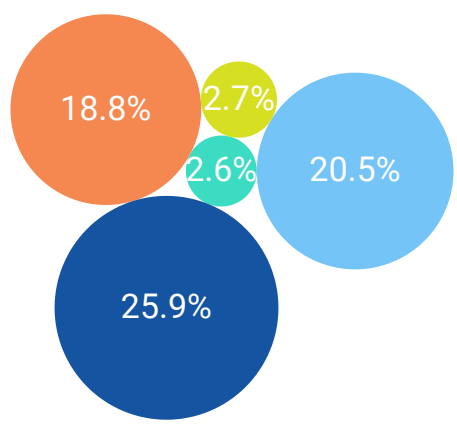


## Units Supported per Staff Member



Ottawa spends 0\$ on property taxes making all funding available to support buildings and service tenants. Peterborough and Hamilton both spend less than 3% on taxes, while London spends over a quarter of operating funding on taxes, 6% more than the next highest taxed LHC in Windsor

% of budget spent on Property Taxes



## Every Operating Dollar is allocated to meet our Obligations to our Tenants and Community

- Provide Administrative Service to RGI Tenants
- Provide timely and responsive maintenance service to tenants
- Maintain the quality and preserve the assets
- Manage Social and Support needs for vulnerable populations
- Extend the use of current homes and build more homes to meet need.
- Address systemic barriers to housing for all



## STAFF REPORT 2019-33

**TO:** Board of Directors, London & Middlesex Community Housing

**FROM:** Norman Turner – Director, Assets and Property

**SUBJECT:** Vacancy and Turn-Over Management Plan

**DATE:** June 14, 2019

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### RECOMMENDATION:

That, on the recommendation of the Director of Assets and Property and Director of Tenant Services, with concurrence of the Chief Executive Officer, the following report on LMCH's Vacancy Management Plan **BE RECEIVED** for information.

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### STRATEGIC ALIGNMENT:

This report is consistent with LMCH's new Strategic Plan with particular connection to our strategic goals of *"Improve, Renew and Maintain the Homes we offer."* And *"Grow Organizational Effectiveness"*

### BACKGROUND:

LMCH has had a vacancy benchmark of 3% historically. This is equivalent to 98 units. Historically vacancy and turn-over was managed within the maintenance teams assigned to specific buildings.

As the state of units at vacancy became increasingly damaged compounded by the aging of finishes within units, the extent of restoration required to bring units back to safe and adequate standards added pressure to the process. In response, LMCH established a specialized restoration crew to manage vacant units with dedicated resources tied to the effort. This change of approach, however, coincided with significant changes to management and staff, making the make ready process less efficient initially.

Through analysis, the following are noted as relevant factors in understanding the current state of unit restoration:

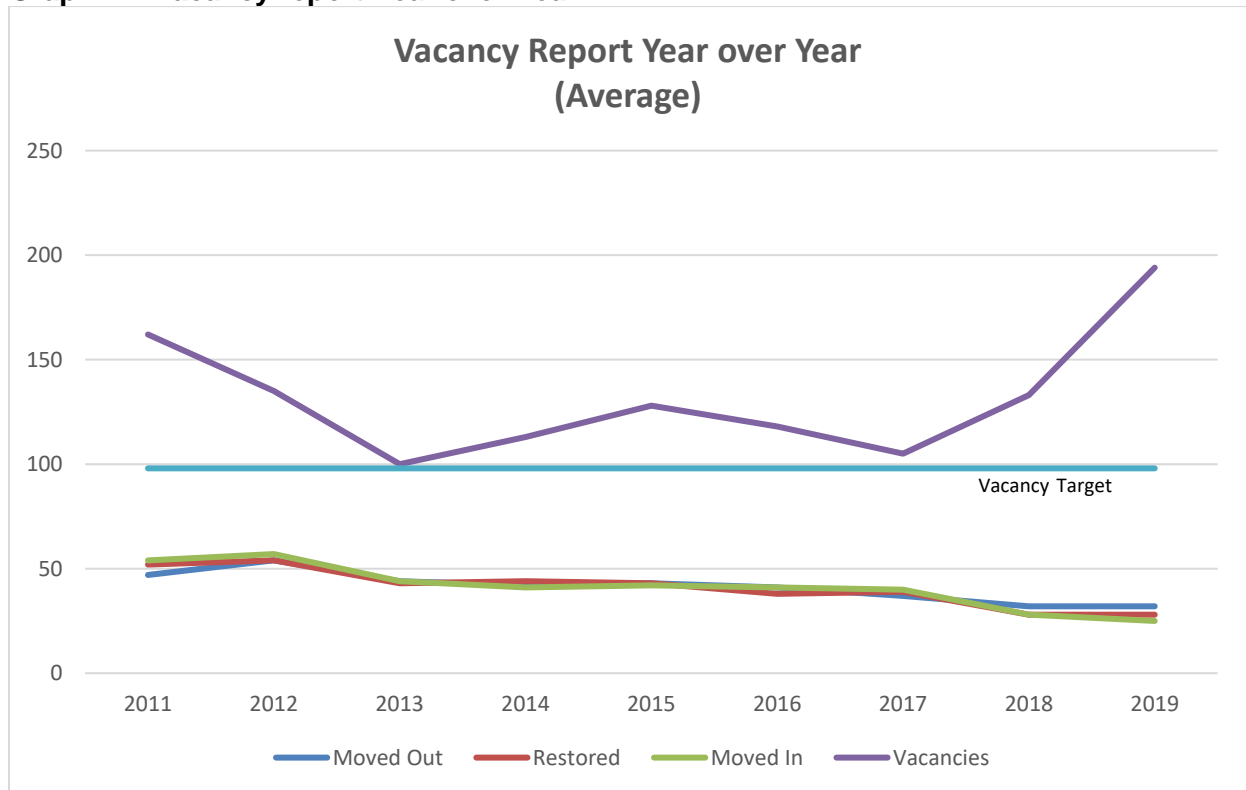
- HR: changes in Director, Manager and personnel (training, equipping and setting standards)
- HR: Staff member sick leave, Staff position vacant
- PROCESS: unclear, technology gaps for tracking purposes, contractors communication patterns created backlog at critical points

- **UNIT STATUS AT VACANCY:** increasingly units have been returned to LMCH requiring significantly more work to become rentable. Current vacant units are categorized with a nearly 50/50 split between level 1 restoration (100% manageable in house) and level 2/3 restorations meaning they require higher levels of construction and repair, often involving contractors or significant allocation of staff time.
- **DEMAND FOR URGENT WORK ORDERS FOR OCCUPIED UNITS:** 47% of work orders in the first quarter of 2019 were designated URGENT meaning our service expectation is to respond to these within one day. As work order numbers overall increase by approximately 12% annually, the additional resource strain of Urgent status work orders requires staff to be deployed to address these needs in advance of restoration priorities.

## Current State

The results are as noted in Graph 1.1 below. The number of vacant units have increased each month since October 2017 by an average of 6 units. Upon further analysis, Table 1.2 one can see that the challenges exist on both the restoration and tenant placement sides. However, once units are ready, the tenant placement team has typically been able to fill the units within thirty (30) days on average. LMCH recognizes that to improve the entire process, evaluation and adjustments can be made to improve the vacancy process from anticipating vacancy to anticipating ready units.

**Graph 1.1 Vacancy report Year over Year**



**Table 1.2 Analysis of Vacancy Gap Development**

	Running total backlogged vacant units + 100 V.T.	Total increase vacant units	Average # Units moved into vacancy increase during quarter
Q4 2017	28	28	9/ month
Q1 2018	14	-14	- 5/ month
Q2 2018	35	21	7/month
Q3 2018	57	22	7/month
Q4 2018	65	8	3/month
Q1 2019	98	33	11/month
Q2 2019*	57	-41	-14/month

\*Projected figures for Q2 ending June 30 2019

The total number of vacant units is 172 of which 54 units that are rent ready and un-occupied and 118 are in progress of being restored. By the end of June 2019, it is anticipated that 58 will be restored (28 using contractors and 30 using internal staff) and 40 are anticipated to be rented.

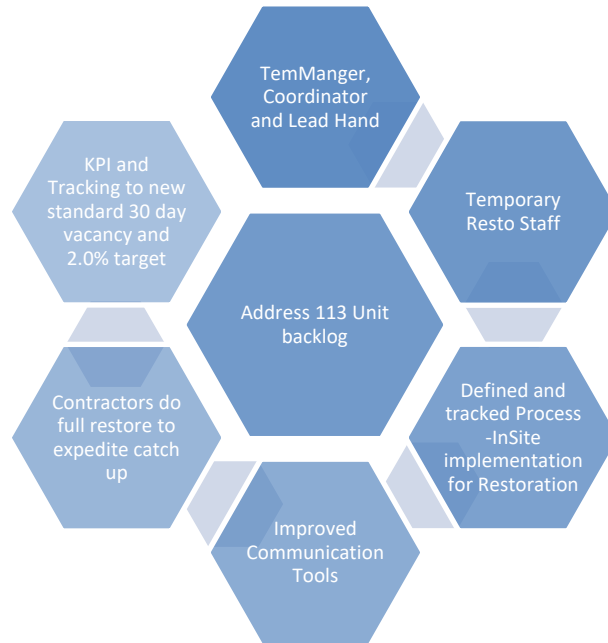
Our goal is to reduce our acceptable vacancy to 2%, which is approximately 66 units. We believe that this is achievable provided the reduction in overall move-outs and the potential for maintaining the current temporary restoration staffing level. Additionally, we would like to reduce our vacancy average from vacated to rented to 60 days as opposed to our current average of approximately 120 days.

#### **ACTION PLAN:**

London is experiencing a housing crisis, by addressing the backlog of vacant units and improving our process, we anticipate housing over 300 households from the waitlist by the end of Q4 2019. Our Action Plan, empowered by direction from the service manager to do what it takes to fill units, will ensure we reach these goals and set us on as sustainable path for restoration moving forward.

Tenant Placement will require additional resources to increase the number of leases signed each month and to facilitate more move ins. We have allocated an additional resource to this effort to support efficiency and meet or exceed our targets in filling units as stated in this report. Additionally, we have begun implementing "Rent Smart" training for tenants and will continue offering this throughout 2019. All new tenants will be invited to participate as we believe that this education will add to housing stability. Finally, we will add Community Development resources through short term contracts to support high needs buildings with larger numbers of vacant units to support welcoming and community stabilization as new community members join these buildings. All of this, is important to supporting the filling and stabilizing of units as we turn out more in a short period of time.

### 1.3 Graphic: Restoration Turn-Over Strategy



**Leadership and dedicated staffing:** Unit restoration management has been vested with the Manager of Capital Projects and Construction with the assistance of a dedicated Lead Hand and a Vacancy Coordinator to focus exclusively on unit restoration and turnover.

**Filling Staff Vacancies and Adding Temporary Staff Resources:** Four new maintenance/repair team members (two permanent, two temporary) were hired in May 2019. They will focus on unit restoration as part of their onboarding and until we are caught up on readied units.

**Process Improvement and In-Site Implementation:** The unit restoration and turnover process was reorganized in the first quarter of 2019. (Appendix A June 12 Restoration Tracking Sheet) and will be reviewed in the fall 2019 using Lean principles, tools and techniques.

A strategy has been defined for identifying the extent of service required in vacant units. Units are categorized on a scale of 1 – 4, 1 being easily turned over by a site based Maintenance/Repair (M/R) Staff member to a level 4 which requires significant remediation, typically beyond the capacity of in house staffing. InSite [is the property management software & asset management system used by LMCH](#). The mobile app portion currently used is being enhanced to provide M/R team members with real-time information about next steps, next assignment to streamline time management and provide data to management on each step of resto work completed. (Appendix B, Insite Implementation Plan)

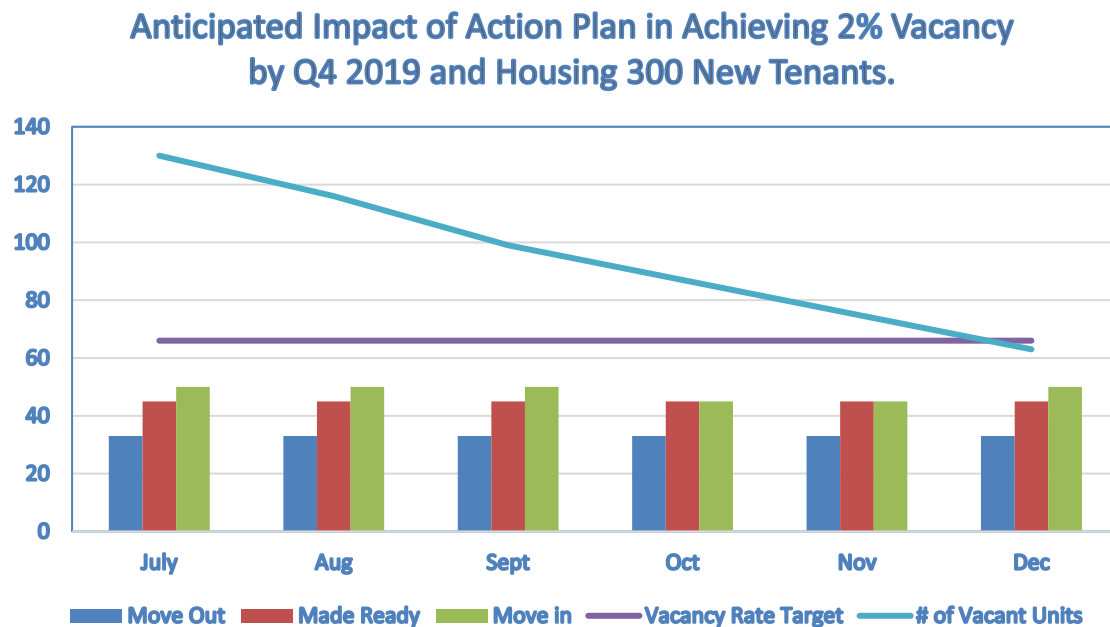
**Improved Communication Tools:** There are multiple hand offs and communication points between various departments and contractors throughout the vacancy and leasing process. By clearly articulating the process identifying the early signals and building timelines and expectations for communication and follow up, with the Coordinator as the single point for communication, accountability and predictability are improved.

**Contractors Engaged to Address Complex Restoration Units:** Rotational contractors have been allocated to units requiring higher levels of remediation with timelines associated to the delivery of the completed units. We anticipate that we will utilize contractors for approximately 50 units as part of the vacancy and turn over management plan.

**Establishing a “New Normal” KPI and Benchmark:** This focus on unit completion will continue to be a priority until all units have a 60 day turnaround after pest clearance.

The vacancy allowance target has been revised, with a new target of 2%. Based on the new unit restoration process and data below, LMHC is anticipating reaching the new vacancy allowance target by the end of the 4th quarter of 2019.

**Graph 1.4 Projected Outcomes by end of Q4 2019**



## FINANCIAL IMPACT:

Restoration is part of our operational budget each year, however, in order to address the backlog and the cost implications tied to the root causes of this backlog (staffing, levels of needed repairs and asset age) additional costs are anticipated to expedite and address the current vacancy gap. The costs are divided between in house personnel additions for temporary contracts, and Contractors who will expedite the restoration process for higher need units.

Intervention	Cost	Description
<b>2 Temporary Restoration Crew Staff</b>	\$80,000	Salaries, benefits, training and personal protective equipment and uniforms.
<b>Contractor Allocation for Full turn over</b>	\$250,000	\$5,000/unit on average x 50 units to assist in expediting back log of units.
<b>Material and Supplies budget</b>	\$110,000	\$2,200/ unit average to bring units to standard for 50 units above budgeted for 2019 year based on move out trends.
<b>Tenant Placement Support</b>	\$35,000	8 months additional resource to support increased monthly offers and move ins.
<b>Tenancy Support and Stabilization</b>	\$30,000	6 months Additional Community Development staffing in high needs buildings to support new tenancies and ensure stabilization of buildings with large influx of new tenants.
<b>Total</b>	<b>\$505,000</b>	Additional to currently budgeted

With an average rental rate of \$320 we can anticipate rental revenue to increase as well during this period of time. This may result in \$204,000 more rental revenue to offset some of the cost in implementing this strategy.

## CONCLUSION:

LMCH is committed to providing safe and healthy homes and to ensuring access to our homes by improving the restoration and vacancy process. The benefits of this vacancy and turn-over management plan address issues of organizational effectiveness, team collaboration and accountability in ensuring results.

The benefits for our community are significant as we will house in the last two quarters of 2019 almost as many new tenants as LMCH housed in all of 2018 (335).

<b>PREPARED BY:</b>	<b>PREPARED BY:</b>
<b>SARAH CAMPBELL, DIRECTOR, COMMUNITY ENGAGEMENT</b>	<b>BILL LESLIE, MANAGER, CONSTRUCTION AND CAPITOL PROJECTS</b>

<b>REVIEWED &amp; SUBMITTED BY:</b>	<b>REVIEWED &amp; SUBMITTED BY:</b>
<b>NORMAN TURNER, DIRECTOR OF ASSETS AND PROPERTY</b>	<b>ANDREA MACKENZIE, DIRECTOR OF TENANT SERVICES</b>
<b>REVIEWED AND RECOMMENDED BY:</b>	
<b>JOSH BROWNE, CEO</b>	

**Attachments:**

Appendix A: June 12 Resto Tracking Sheet  
Appendix B: InSite Implementation Plan





**SUBJECT:** Requested Changes to the Articles of Incorporation and PricewaterhouseCoopers Internal Audit Report

**DATE:** February 28, 2019

**FOR:** Strategic Priorities and Policy Committee (SPPC) Meeting on March 4, 2019

**FROM:** London & Middlesex Community Housing (LMCH) Board of Directors

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**Purpose:**

The purpose of this submission is to ensure that the SPPC has all the information necessary to provide clear direction and participate in enabling LMCH to achieve the strategic objectives set out in our Strategic Plan presented and accepted by Council in June 2017. This includes linkages to the City's Strategic Plan, specifically in the key area of focus of *Strengthening our Community* and the strategy of providing *Caring and Compassionate Services*.

We recognize the important role of Civic Administration in providing an analysis of risk and agree that together we can mitigate those concerns through discussion and drafting of a new Shareholder Declaration and Accountability Rules.

It is our belief the flexibility proposed in the revised Articles of Incorporation will position our organization to best address together the myriad of challenges before us including our aging infrastructure, complex and diverse tenant base, increasing waitlist, lack of affordable and supportive housing, homelessness and ever increasing demand on a social support system that is at capacity.

**Our Request:**

That, Council as Shareholder of LMCH, **APPROVE** the Amended Articles of Incorporation as previously submitted (Restrictive Version) through a Special Resolution of the Sole Shareholder (Attached as Appendix A) and **DIRECT** Civic Administration to work with LMCH staff to create a new Shareholder Declaration for the Annual Shareholder Meeting to be held in June 2019, that mitigates identified shareholder risk(s) and provides the appropriate accountability framework that enables LMCH's strategic plan.

**Background:**

LMCH does not have any flexibility with respect to strategic and operational decisions under the terms of a Shareholder Declaration approved by the City of London on June 20<sup>th</sup>, 2011. Since that time, the City has evolved its delivery of social and affordable housing as is true across the Ontario social housing sector. This lack of flexibility restricts LMCH's ability to respond to growing and changing needs such as new and unique capital deficiencies and changing tenant demographics.

In order to enable our strategic plan, we requested in June 2018, that the City consider amending the Shareholder Declaration to acknowledge the following:

- LMHC's role in providing a broader range of housing forms to achieve mixed-income profiles and stronger communities;
- Flexibility to build improved revenue streams and a stronger balance sheet;
- New financial tools/greater financial flexibility in our relationship with our funders;
- Performance monitoring based on outcomes confirming the Board's responsibility to lead; and
- Support for our role in advocating for our tenants, taking a leadership role in the sector and supporting broader partnership development.

This position has been supported by PricewaterhouseCoopers LLP as part of 2018 internal audit report that reviewed the operational alignment of our funding model and strategic plan.

The City's recommendation to continue to "work with LMCH and to bring forward at a future meeting a revised Articles of Incorporation endorsed by both the Civic Administration and LMHC for Council's approval", limits our ability to plan appropriately. All of our operational plans, including an Asset Management Plan, Regeneration Plan, Community Development & Tenant Engagement Plan, Long-Term Financial Plan and Strategic Resource Plan, need to be advanced now due in order to support our 2020-2024 multiyear budget submission.

### **Current Shareholder Declaration**

As the sole shareholder of LMCH, the City of London establishes the overall direction and accountability rules for LMHC through the Shareholder Declaration. The Declaration provides both the range of accountability and operating practice, reporting structure and restricts the powers of the Directors to manage or supervise the management of the business and affairs of the corporation. LMHC operates within in the Shareholder Declaration alongside its Articles of Incorporation established under the *Business Corporations Act*.

In general, corporations are governed by a Board of Directors. Shareholders meet annually, elect directors, and approve financial statements. Otherwise the directors are mandated by the BCA to make decisions in the best interests of the Corporation. Section 108(3) of the BCA allows a sole shareholder to issue a "Shareholder Declaration" which takes back the powers of the board and vests them in the shareholder. Along with the responsibility, the shareholder assumes the liabilities of the directors in respect to the authorities which are reallocated to the shareholder. Absent a Shareholder Declaration (or unanimous shareholder agreement where there is more than one shareholder), the Corporation may do anything a natural person may do. The board's only limits are (1) any restrictions in the articles, (2) the by-laws (though directors may amend these), and (3) the directors' obligation to act in the best interests of the Corporation.

Time has passed since the current Shareholder Declaration was executed, a new strategic focus has been articulated for LMCH, and the City has confirmed its organization and strategy for the development and expansion of housing services, facilities and programs. When the original document was created the declaration was constructed around a goal of restricting the powers of LMHC and managing a transitional period.

An independent legal review the Articles of Incorporation and Shareholder Declaration in early 2018, concluded that while the operation of an Safe Consumption Facility (SCF) by a public housing corporation was not contemplated at the time that these governing documents were drafted, with the approval of the City, and adherence to the appropriate statutory requirements, it would be possible to amend both the articles and shareholder's agreement to allow for the operation of an SCF or other activities, projects or proposals. Any such amendments would not be specifically for the operation of an SCF but be written in a way to support an SCF and other related activities to further both LMHC's and community objectives. The revised Articles of Incorporation (Restrictive Version) were written by LMCH's legal counsel with this intention.

In the shared goal of community renewal, this role is also important to LMHC as we seek to collaborate in new and different ways to bring services and supports to our tenants and the wider community. As well, new or regenerated social housing today can become a host for a new range of commercial or community activity. This may, in turn, lay a foundation for more resilient communities with stronger and more diverse employment opportunities. This will again involve Service Manager collaboration about where to place services most effectively to achieve shared objectives.

**Considerations:** (See Infographic Attached as Appendix C)

We respect, understand and are mindful of the Civic Administration's comments and identification of risk related to the changes to the Articles of Incorporation. However, it is our position, supported by a legal opinion, that the mechanism for best mitigating these risks and areas requiring more clarity is through a new Shareholder Declaration.

In reviewing Civic Administration's report, CarslylePeterson Lawyers, LLP states the following:

*"The Report does not consider the control that the City maintains over LMCH via the Shareholder Declaration. Articles of incorporation are permissive. Control of this corporation always resides in the hands of the corporation's shareholder. The City of London, as LMCH's sole shareholder is able to restrict LMCH's operations through the Shareholder Declaration. For example, we note that the Report is concerned that LMCH could become a "developer." Clearly this cannot occur with out the consent of the sole shareholder."*

A second legal review provided by Dr. Richard Leblanc concluded that the shareholder authority is not diminished by diversity of funding, or by decentralized and more autonomous, arm's length and flexible governance. The governance argument centers on flexibility and upward annual or regular reporting, with shared strategic and risk parameters between LMCH and the City, within which LMCH may function. This shared governance framework can be set out like a MOU and enables LMCH to be more responsive, and still be ultimately accountable to the shareholder. The argument is that the proposed governance enhancements enables LMCH to be more flexible and responsive to their various plans, and still be accountable to the City. This is a valid and reasonable argument and position to take.

Furthermore, in the LFP article date February 26, 2019, Steve Pomeroy, an expert on housing policy and a senior research fellow at Carleton University's Centre for Urban Research and Education, said LMHC "has a legitimate case." Pomeroy continued by stating, "Public housing organizations operate in a very regulated environment, mainly because in 2000 the province downloaded a whole bunch of responsibilities and assets to local municipalities and then embedded a whole bunch of rules. They're not very flexible and they're very difficult to change. That doesn't allow for the kind of creativity or innovation that's needed to deal with housing

challenges in today's environment. Many communities have brought their public housing work back inside city hall rather than using a housing corporation as an arm's length agency. But that element of independence is important to deal with housing challenges and remain "nimble," They don't need to get council approval every time they want to look around the corner. If you really want to change the culture and enable organizations with a social mission to operate with more of a market discipline, you need to give them the space to do that."

It is also important to identify to the City as our shareholder, the risks associated with not moving forward the requested amendments to the articles and also directing staff with clear direction to draft a new shareholder declaration that aligns to the strategic plan. These risks lie in four distinct areas:

**1) Our Ability to Deliver on our Strategic Plan:**

Our strategic objectives include metrics which have been incorporated into the City of London's Strategic Plan, so our success contributes greatly to the City's objectives of *Strengthening our Community* and the strategy of providing *Caring and Compassionate Services*. Our ability to enact these new strategies, will provide new solutions for our tenants, buildings and communities, all to the effect of delivering better outcomes for our City as a whole. If the articles do not allow for activities such as development, improved tenant supports and other revenue generating activities, we are left with the current model, which, based on the state of our buildings and the clear need to respond to the ever increasing complexity of the needs of our tenants, is inadequate. We understand that Civic Administration acknowledges that flexibility is needed, however we must get clear direction regarding Council's risk appetite for the creation of the structural conditions to begin moving towards innovative solutions and new models to achieve different results.

**2) Our Ability to Plan Most Appropriately for the Multi-Year Budget Submission:**

Quite simply, if there is not clear direction regarding our ability to pursue our strategic plan, our multi-year budget request for both operational and capital, will fully be allocated to the City, as our ability to mitigate costs through innovative strategies is fully diminished. With amended articles and clear direction towards an aligned Shareholder Declaration, we can with much more specificity and confidence, pursue alternate and diverse sources of revenue to address our growing financial needs.

**3) The Need for Greater Support within Social Housing is Significant:**

We hear daily from our tenants about the difficulties of their lives within our buildings sites and communities. From increased work order requests to growing complaints regarding social issues, crime and challenges navigating our social housing processes, our tenants need support to have successful and satisfying tenancies. With nine out of ten of our tenants coming to us from special priority and urgent waitlists, the complexity of our tenant's lives cannot be understated, and their needs significant. Our future goals of ensuring tenants have the supports they need within housing requires us to engage differently than a traditional landlord role, by not amending our articles, this gap in service and the impacts of this gap on our communities will continue to be apparent.

**4) Our Building are Old, more Housing is Needed:** Our Strategic Plan clearly aspires to grow our housing portfolio to include supportive housing through affordable housing. We believe that through our regeneration, asset management and development plans we can increase the provision of deeply affordable housing while maintaining our RGI requirements. This is long term work that needs to start in order to be available as need continues to grow. As it stands, the current articles do not allow for us to grow in the various ways we envision. Without the ability to develop, we will not be able to grow our capacity to serve the community by being a critical part of the housing solution.

**Conclusion:**

LMHC continues to believe that amending the Articles of Incorporation is essential to completing our 2017-2020 Strategic Plan. In order to deliver new solutions in service of our tenants, we need new opportunities which the amended articles would afford us to review and consider.

Our Board has been passionate about setting a new path for our organization to ensure that in the future we are far more than just a landlord. Having a clear direction from our Shareholder in how we operate is critical given our planning activities in advance of the multi-year budget.

We understand and can appreciate the City's position in their response and have every intention of working in collaboration to address their concerns regarding risk and language. It is our belief that there is a common ground and a way that we can move forward by addressing the City's concerns through a new Shareholder Declaration.

We are looking to unify on a common objective we share with both Civic Administration and Council around the overall impact that Community Housing would have on our tenants and community at large.

# CREATING THE FRAMEWORK FOR NEW SOLUTIONS

An overview of how changing the Articles of Incorporation for London & Middlesex Community Housing is linked to solving the complex and urgent need for improved and expanded housing options in our community.

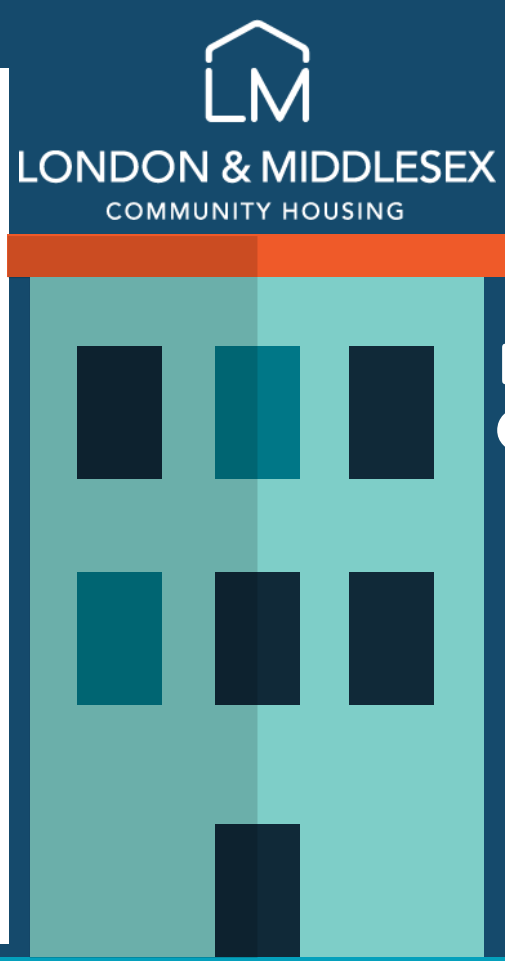


## CURRENT STATE



## FUTURE STATE:

- Ability to plan alternate revenue streams
- Ability to create financial plans that incorporate reserves
- Risk mitigation through amended shareholder declaration and accountability rules
- Ability to leverage current stock to improve, regenerate and develop new stock
- Ability to seek and develop new revenue streams such as mixed portfolio housing, social enterprise and other financial tools (social bonds)
- increased Supportive Housing to grow housing stability



**WE CANNOT SOLVE OUR CURRENT AND FUTURE PROBLEMS WITH OLD SOLUTIONS, NEW ARTICLES MEAN NEW POSSIBILITIES FOR SOCIAL HOUSING IN OUR CITY AND COUNTY**

**Housing matters. People matter more.**

On Monday March 4, 2019 We ask Council to create the conditions for different outcomes in social housing:

Approve the amended articles of incorporation

Provide specific direction to for Civic Administration to work with LMCH Staff to re-write the shareholder agreement in alignment with the accepted Strategic Plan of LMCH

## **LONDON & MIDDLESEX COMMUNITY HOUSING INC.**

### **Special Resolution of the Sole Shareholder**

#### ***Recitals:***

- A.** The Corporation was incorporated by a certificate of incorporation dated December 14, 2000, with the name London & Middlesex Housing Corporation. The name of the Corporation was changed to London & Middlesex Community Housing Inc. via articles of amendment issued on August 20, 2018.
- B.** It is considered necessary and expedient in the interests of the Corporation to amend the articles of the Corporation to better align the articles of the Corporation with the priorities identified in the Corporation's latest strategic plan.

#### **NOW THEREFORE BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

- 1. The articles of the Corporation be amended to provide that the business of the Corporation shall be as set out in Schedule "A" attached hereto.
- 2. Any directors or officers of the Corporation be and are hereby authorized and directed to sign all documents and do all things necessary or desirable to effect such amendment including the delivery of articles of amendment in prescribed form to the Director under the *Business Corporations Act* (Ontario).

\*\*\*\*\*

The foregoing special resolution is hereby passed by the sole shareholder of the Corporation pursuant to the provisions of the *Business Corporations Act* (Ontario).

DATED as of the \_\_\_\_ day of \_\_\_\_\_, 2019.

**THE CORPORATION OF THE CITY OF  
LONDON**

By: \_\_\_\_\_  
Name:  
Title: Mayor

By: \_\_\_\_\_  
Name:  
Title: City Clerk

## **SCHEDULE A**

The business of the corporation shall be restricted to:

- i. the development, provision, operation and maintenance of housing accommodation, with or without any public/community space, recreational facilities, commercial space, or buildings appropriate thereto, whether or not in partnership with for profit, not for profit, or governmental entities, in accordance with the Act;
- ii. obtaining outside sources of financing and revenue to further the provision of housing accommodation, as permitted by the Act;
- iii. the provision of programs and supportive housing to tenants and the community in accordance with the Act, including but not limited to, providing rent-geared-to-income assistance to households of low to moderate income and facilities which assist with vulnerable populations;
- iv. any other matter that is delegated to the corporation by the service manager in accordance with the Act; and
- v. any other matter that is prescribed under the Act,

and the corporation shall exercise no powers other than those required in carrying on of such business and actions reasonably incidental thereto.