

## Report to Strategic Priorities and Policy Committee

**To:** Chair and Members  
Strategic Priorities and Policy Committee

**From:** Kevin Dickins, Acting Managing Director, Housing, Social Services and Dearness Home and  
Anna Lisa Barbon, Managing Director, Corporate Services and City Treasurer, Chief Financial Officer

**Subject:** Governance Functional Review – Housing Development Corporation, London (HDC)

**Date:** December 16, 2020

## Recommendation

That, on the recommendation of the Acting Managing Director, Housing, Social Services and Dearness Home, the Managing Director, Corporate Services and the City Treasurer, Chief Financial Officer and with the concurrence of the City Manager, that the following actions be taken with respect to the proposed restructuring of the Housing Development Corporation, London (HDC), next steps and timelines:

- a) the report dated December 16, 2020 titled “Governance Functional Review – Housing Development Corporation, London (HDC), Be Received;
- b) the Acting Managing Director Housing, Social Services and Dearness Home Be Authorized to implement recommendations contained in the report noted in a) above;
- c) the Civic Administration Be Directed to bring forward the necessary by-laws and documentation to dissolve Housing Development Corporation, London (HDC) and to integrate the affordable housing portfolio into the Corporation of City of London’s Corporate Structure with an implementation timeline of Q2 2021; and,
- d) the Civic Administration Be Directed to undertake all other actions required to support the effective implementation c) above, within the timelines set out in the report noted in a) above.

## Executive Summary

At the Municipal Council, meeting held on August 27, 2019 it was resolved that the Civic Administration be directed “to examine the development of affordable housing, consistent with the City’s Service Manager legislated responsibility and report back on a recommended course of action”. The City’s legislated responsibility and service manager designation is derived by the Housing Services Act, 2011, and regulations thereto. Further, it was noted in the KPMG report which was received by Municipal Council during the August 27, 2019 session that “Accordingly, consideration could be given to transferring responsibility for affordable housing programs to the Housing Services Division and dissolving HDC as a corporate entity”.

The purpose of this report is to conclude steps deemed necessary as part of that report and from the “City of London Housing Service Review: Proposed Action Plan Recommendation”, Strategic Priorities and Policy Committee report, dated September 16, 2019. This report provides recommendations regarding the governance structure of the Housing Development Corporation, London (HDC) that establishes a model to most effectively deliver on existing affordable housing projects and increase the development of future affordable housing as a key priority in London.

## Linkage to the Corporate Strategic Plan

### Strengthening Our Community

- Londoners have access to the supports they need to be successful
- Londoners are engaged and have a sense of belonging in their neighbourhoods and community
- London's neighbourhoods have a strong character and sense of place

### Leading in Public Service

- Increase efficiency and effectiveness of service delivery
- Maintain London's finances in transparent and well-planner manner to provide equity and affordability over the long term

## Analysis

### 1.0 Background Information

The Housing Development Corporation, London (HDC) was approved by Municipal Council as a corporate entity in 2015 and began operation in early 2016. Established with a core mandate to stimulate the development and sustainability of affordable housing throughout London and Middlesex, HDC has worked to implement a coordinated approach to affordable housing development, in partnership with City service areas, local housing providers, developers and the provincial and federal governments.

The City is the Shareholder for HDC and both a shareholder's agreement (which establishes the relationship between the organization and the City) and an assignment agreement (which assigns the City's Housing Service Manager role for affordable housing development to HDC) are in place. The work of the HDC since its establishment has included both the development of tools that support housing creation and the direct implementation of procurement and provider "rostering" that has supported the use of federal, provincial and municipal funding to create new affordable units.

As noted by HDC, they do not act as the landlord or property manager of affordable developments. HDC is the body that helps bring the resources, plans and funding together, to assist the community in making these important and much needed developments a reality. HDC has been working to advance affordable housing projects on two parcels of land that were transferred to their ownership by the City of London in 2018. In October of 2020, the Civic Administration requested that one particular parcel of land be dedicated for the use of modular housing and work to develop on that property has been expedited through the use of the Rapid Housing Task Team.

As part of previous reports to Municipal Council noted further in this report, direction was provided requesting that the Civic Administration return with a recommended path forward for the development of affordable housing in London. Based on the findings from the KPMG review, the Civic Administration set out to conduct a review of environmental and operational changes that have occurred since the creation of HDC, launched a functional review of the responsibilities carried out by the Housing Development Corporation, London (HDC) in the late summer of 2020, and compared this to what a new enterprise-wide model of affordable housing development could provide.

The KPMG Service Review noted below provided some valuable recommendations but focused in many ways on the financial costs/savings related to the current structure.

The purpose of the functional review was to analyze the core functions of HDC, compare those core functions to the original business case which established the HDC and serves to guide their work, while critically analyzing which responsibilities the City of London, as Service Manager and as authority on development and planning policy amongst other things, can and should be providing.

## 1.1 Previous Reports Related to this Matter

- Item # 2.3 - Strategic Priorities and Policy Committee – March 26, 2018
- Item # 4.4 - Strategic Priorities and Policy Committee – April 8, 2019
- Item # 2.2 - Strategic Priorities and Policy Committee – August 26, 2019
- Item # 4.1 - Strategic Priorities and Policy Committee – September 16, 2020
- Item # 2.2 - Strategic Priorities and Policy Committee – April 28, 2020
- Item # 3.1 - Strategic Priorities and Policy Committee – June 9, 2020

## 1.2 Previous Municipal Council Actions

At its meeting held on August 27, 2019, the Municipal Council in response to a report on the review of service delivery for housing, directed the Civic Administration to “determine next steps and actions based on the analysis and potential course of action identified in the KPMG report dated August 12, 2019, with respect to the review of service delivery for housing” and “to examine the development of affordable housing, consistent with the City’s Service Manager legislated responsibility and report back on a recommended course of action”. The above-noted KPMG report related to the Shareholders Agreements between the City and London and Middlesex Community Housing (LMCH) as well as the City and Housing Development Corporation, London (HDC).

At its meeting of September 17, 2020, the Municipal Council received and approved the Action Plan recommended by the Civic Administration and revised the composition of the Boards of Directors of both London Middlesex Community Housing Corp. and the Housing Development Corporation, London and passed the following motion:

“That on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer and Managing Director, Housing, Social Services and Dearness Home, the following actions be taken with respect to the City of London Housing Service Review:

- a) the staff report dated September 16, 2019, and the subsequent updated report, Be Received;
- b) Option 3 identified in the reports, noted in a) above, Be Approved;
- c) the Civic Administration Be Directed to take all necessary steps to implement the above-noted Option 3;
- d) the Civic Administration Be Directed to report quarterly to Municipal Council with a status and progress update on the implementation of Option 3;
- e) the City Clerk Be Directed to make the necessary arrangements to bring forward the appropriate by-laws to implement actions identified in Option 3; and
- f) the Civic Administration Be Directed to report back to Corporate Services Committee on the feasibility of using the same approach taken for affordable housing to reduce the effective tax rate for London Middlesex Community Housing (LMCH) buildings to be equivalent to the residential tax rate, including any amendments that may be necessary to the Municipal Housing Facilities By-law to do so;

It being noted that the Strategic Priorities and Policy Committee received communications dated September 12, 2019 from D. Astolfi and J. Atkinson, and received verbal delegations and the submissions from the Housing Development Corporation and the London & Middlesex Community Housing. (4.1/18/SPPC) (2019-S11)”

In response to this above-noted direction, the Municipal Council enacted By-law No. A.-7890-264 being “A by-law to discharge the current Board members of the Housing

Development Corporation, London” and enacted By-law No. A.-7891-264, being “A by-law to appoint an interim director of the Housing Development Corporation, London”.

At its meeting held on May 5, 2020, the Municipal Council adopted the following resolution in response to the recommendations contained in a report regarding the governance of the Housing Development Corporation, London (HDC):

“That, on the recommendation of the Managing Director, Housing, Social Services and Dearness Home and concurrently the Board, Housing Development Corporation, London (HDC), the following actions be taken with respect to the Housing Development Corporation, London (HDC):

- a. the staff report dated April 28, 2020 entitled “Governance Requirements and Recommendations – Housing Development Corporation, London, Be Received;
- b. the proposed by-law as appended to staff report dated April 28, 2020 as Appendix “A” being “A by-law to repeal By-law No. A.07891-264 being “A by-law to appoint an interim director of the Housing Development Corporation, London” Be Introduced at the Municipal Council Meeting to be held on May 5, 2020; and,
- c. the proposed by-law as appended to the staff report dated April 28, 2020 as Appendix “B” being “A by-law to appoint an interim director of the Housing Development Corporation, London” Be Introduced at the Municipal Council Meeting to be held on May 5, 2020. (2.2/10/SPPC) (2020-S11)”

The above-noted by-laws repealed the appointment of Sandra Datars Bere as the Interim Director of the Housing Development Corporation, London with Craig Cooper, as a result of a change in tenure for Ms. Datars Bere.

## **2.0 Discussion and Considerations**

### **2.1 Notable changes since HDC was created:**

HDC has viewed themselves as an incubator and facilitator in helping non-profits and developers obtain Federal housing funding and acted as a support for developers to ready their site plans and business models. Recent experience from the development community and our own internal experience has indicated that a third party facilitator is not required for organizations to access capital investments through the Federal government.

The Rapid Housing Initiative has exposed a new trend and preference for higher levels of government to partner directly with municipalities and for municipalities to engage and invest directly in affordable housing projects such as modular housing. With many organizations now able to receive direct funding for their projects, there is no longer a need for that level of facilitation by HDC.

Additionally, through a renewed focus and clear direction that all the Civic Administration take an enterprise-wide approach to delivering on municipal priorities, the Civic Administration has established a dedicated Rapid Housing Task Team that is leading hands on support to achieve the Municipal Council’s goals related to housing. This includes working on a variety of build type affordable housing projects, Canada Mortgage and Housing Corporation’s Rapid Housing Initiative, and has the ability to scale up to address public housing regeneration projects, and working to fill the gap of 3000 affordable units in London.

This coordinated approach aligns policy makers, engineers, finance experts, social services and homeless prevention experts, development services decision makers and others to expedite major housing projects.

The change in ability for parties to access Federal capital dollars and more recognition internally for the need to have municipal priority setting as it relates to land development and zoning policy making, has demonstrated that a smaller more concentrated span of control would best serve Municipal Council in achieving their important housing goals.

## **2.2 Steps Taken in Response to changes:**

Noting that some if not most challenges that HDC was created to address have been lessened, eliminated, or an internal solution found for them, the Civic Administration set out to also thoroughly review the core functions of HDC through this new lens. Through the course of a functional review which involved HDC staff and leadership, along with internal and external stakeholders, a conclusion was reached that supported the considerations identified by the previous KPMG Service Review report. Additionally recent enterprise-wide prioritization of housing development projects has created synergies, a tighter span of control, and allowed for more direct municipal involvement and transparency of information related to these urgent priority projects than would normally be available through a third party corporation with a community governance model.

The review was not a performance review of the individuals operating HDC, nor was it a review to dispute or endorse the work of KPMG. The review served as an opportunity to seek input directly from HDC staff and leadership, external stakeholders that were directly involved in the creation of HDC, members of the development community, and members of the Senior Leadership Team of the City of London. Throughout the functional review process, HDC remained engaged and information shared back to them for further discussion.

The core functions of HDC have allowed for progress to be made on the creation of new affordable housing units in London, and the success HDC has realized should be evident through their annual Shareholder report. A key learning however throughout this review process is that project prioritization, strategic planning, and workflow on assembling and preparing projects plans and lands is at the discretion and pace of HDC on their own and can at times be in contrast to the urgent needs of the City of London.

Throughout the many Service Reviews and through the most recent functional review, barriers to progress on development have been identified by HDC. To this end, it is acknowledged that acting as a third-party corporation has stalled or impeded the ability to efficiently access internal municipal staff and expedite projects that align with the core housing need in London. Through the recommendation in this report, such barriers can be eliminated and synergies created that build upon new cross-functional teams with aligned goals and shared accountabilities, similar to what has been implemented in the delivery of the Industrial Land Development Strategy.

## **2.3 The Functional Review has determined:**

The functional review identified that HDC has helped to facilitate many positive affordable housing projects. Noted by HDC, they see value in their role as an incubator to assist developers navigate the funding channels with the Federal and Provincial governments, as well with reviewing business plans and any related pro forma, to ensure projects are sustainable.

The functional review has determined that HDC has been advocating for policy change related to the prioritization of affordable housing. All policies or municipal “tools” fall to the responsibility of the municipality to enact. Changing internal practices to prioritize and reduce barriers to the development of affordable housing is an enterprise-wide approach that has been championed by the Senior Leadership Team. Through this commitment, appropriate measures are being put in place to advance affordable housing development projects.

The functional review also identified that a major expectation of HDC and a key driver of the reason they were established was to develop and deliver homes through the construction of new affordable rental housing that meet the needs of low-income households. Until only recently, HDC has been undertaking development related activities, but new HDC led affordable units have not been built.

The functional review also noted that one of the strengths of HDC was to leverage surplus lands for the development of affordable housing. This ultimately is a responsibility that the municipality controls and can deliver on through mechanisms such as a land trust. Community land banking and a community land trust is the act in which a municipality enables control over land to create community assets including permanently affordable housing. Creating a land trust is a way that the municipality can make stark improvements in how developers and non-profits can be supported to produce more affordable stock.

### **3.0 Recommendations**

The review of the housing services, including a consideration of how affordable housing development services should be implemented, is now complete.

Given that affordable housing supply in London is a priority, it is recommended that the Housing Development Corporation, London (HDC) be dissolved and be integrated into the City of London's Civic Administration. This integration would allow for increased coordination in meeting the goals set out in the Housing Stability Action Plan, including the actions being taken by the recently established internal Rapid Housing Task Team, with an enterprise-wide approach to the creation of modular and rapid housing projects.

During the housing services review, it became apparent that core business functions at the time of the HDC creation have not materialized or been delivered on to an extent that would warrant their continuation, the funding environment related to capital projects has evolved and the role of the HDC as incubator and facilitator of funding is no longer required, and the way in which the City of London manages the affordable housing priority has changed drastically. Given these changes, it is determined that through centralizing the provision of affordable housing within the Civic Administration will better align the City's priorities and provide for greater accountability and transparency.

HDC does hold additional properties as part of their inventory of assets with each being in varying degrees of readiness for development. These and other assets would be reviewed as part of the transition period for successfully integrating HDC into the municipal structure.

Integrating the HDC into the City of London's Civic Administration should be carried out during a strict transition period, with conclusion of said transition being early Q2 of 2021. By focusing on ways the Civic Administration can continue to prioritize the advancement of affordable housing, it is expected that not only will there be cost savings that will be redirected to affordable housing projects, but projects will move forward in a far more efficient, coordinated, and expedited manner.

### **4.0 Key Issues and Considerations**

Should the Municipal Council support the recommendations of the Civic Administration to dissolve the Housing Development Corporation, London (HDC), the Civic Administration will report back in the first quarter of 2021, with an implementation time frame of May 2021, on the following next steps:

- All necessary actions to integrate HDC within the Civic Administration
- Transfer of HDC assets to The Corporation of the City of London
- Dissolution of the Corporation
- Termination of the Shareholder Declaration
- Financial Impacts

## 5.0 Financial Impact/Considerations

Implementation of the recommendations in this report are anticipated to create significant efficiencies for City staff and result in administrative cost savings.

The integration of HDC into the City of London will create significant efficiencies in the form of administrative time savings for City staff. Currently the HDC as a separate municipal corporation maintains its own separate administrative policies and is subject to different accounting standards than those of the City. These varying policies and standards limit the ability for shared services with the City of London standard practices and creates significant duplication of services as well as inefficiency. For example, the HDC does not have its own financial support staff and as a result additional duplication of workload has been created that directly impact City of London staff.

Integration would streamline services and reduce duplication that results in additional workload. As an example, the effort required to support the creation and audit of separate annual financial statements will be eliminated if HDC is integrated into the City of London. Administrative cost savings would also be realized and include a reduction of costs due to the elimination of spending on expenditures required as a result of maintaining a corporation such as separate audit fees, website maintenance fees, directors & officers liability insurance, etc.

The budget savings resulting from the implementation of these recommendations will be re-allocated to support the construction of new affordable housing units.

## Conclusion

The Civic Administration recommends that the Housing Development Corporation, London (HDC) be dissolved and be integrated within the Civic Administration in order to better support and deliver on the development of affordable housing in London, and to create far more flexibility and nimbleness to react and capitalize on external influences such as time limited funding from upper levels of government, addressing housing and homelessness crises, and strengthening the synergy and efficiency of delivering on the priorities of Municipal Council.

Bringing the role of HDC into the Civic Administration corporate structure would create a housing system that is fully transparent and accountable through the respective Service Area to Municipal Council and not to a community board. The move will align a clear focus on deliverables established by Municipal Council and linked to Council's strategic plan. This creates frequent touch backs through regular reporting at the committee level and through the budget process as opposed to annual shareholder updates or reporting through a third party board.

The Civic Administration will ensure all necessary steps are taken to transition HDC and maintain continuity of project management through the establishment of dedicated resources including but not limited to the Rapid Housing Task Team. Any cost savings realized throughout this process will be re-invested into the creation of additional affordable housing projects including those of modular design.

**Recommended by:** Kevin Dickins, Acting Managing Director, Housing, Social Services and Dearness Home

**Recommended by:** Anna Lisa Barbon, Managing Director, Corporate Services and City Treasurer, Chief Financial Officer

**Concurred by:** Lynne Livingstone, City Manager