



**City of Kingston  
Information Report to Council  
Report Number 19-076**

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<b>To:</b>	<b>Mayor and Members of Council</b>
<b>From:</b>	<b>Peter Huigenbos, Acting Commissioner, Community Services</b>
<b>Resource Staff:</b>	<b>Sheldon Laidman, Director, Housing &amp; Social Services</b>
<b>Date of Meeting:</b>	<b>March 19, 2019</b>
<b>Subject:</b>	<b>Status Update Town Homes Kingston (Q1 2019)</b>

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**Executive Summary:**

On July 23, 2018, the Service Manager exercised its authority under the Housing Services Act (HAS) to declare Kingston Municipal Non-Profit Housing Corporation (Town Homes Kingston) a Project in Difficulty, in order to stabilize this important municipally owned housing provider and to respond to imminent life safety concerns. This was exercised through a Notice of Triggering Event and Notice of Decision to Invoke a Remedy. The 2018 operational review of Town Homes Kingston (THK), conducted by the Service Manager, found numerous significant issues surrounding financial stability, governance, and health and safety with the operation of THK, which formed the basis of this decision. Council, sitting as the members of THK, on August 7, 2018, endorsed in principle a merger between THK and Kingston and Frontenac Housing Corporation (KFHC).

This report is intended to provide Council with an update on the current status of THK and the provisions and changes put into place in the past quarter. The financial audit for 2018 has begun and it is anticipated that THK will have an annual deficit. Significant changes were implemented in 2018 to ensure THK operates in a positive financial manner for 2019. The maintenance contract with CJM Properties Inc. was terminated, with maintenance services now being provided by KFHC, which has resulted in improved tenant maintenance request responsiveness and overall savings. Significant changes to the maintenance contract along with staff attrition to right size the staffing complement needed to properly operate THK has enabled a balanced budget to be prepared for 2019.

The Service Manager has continued to make changes to ensure that THK's corporate governance structure meets provincial regulations. The Ministry of Government and Consumer Services requires that corporations have clear Boards of Directors registered. Under the Project in Difficulty process through the HSA, the existing Board of Directors is placed in suspension

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while the Service Manager stabilizes the organization. Due to a number of Board members' terms already expiring, and the need to ensure compliance with the Provincial corporate registry, the Service Manager has informed remaining current Board members that they have been relieved from their appointment. While the final determination of a merger with KFHC is pursued, the Service Manager is acting as the Board which complies with the Corporations Information Act and the Corporations Act.

This report also serves to meet a requirement of Section 92(18) of the HSA whereby a status report must be provided every quarter when a Service Manager exercises this authority under the HSA.

**Recommendation:**

This report is for information purposes only.

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**Authorizing Signatures:**

ORIGINAL SIGNED BY COMMISSIONER

**Peter Huigenbos, Acting Commissioner,  
Community Services**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

**Lanie Hurdle, Acting Chief  
Administrative Officer**

**Consultation with the following Members of the Corporate Management Team:**

Gary Dyke, Commissioner, Corporate & Emergency Services

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Jim Keech, President & CEO, Utilities Kingston

Not required

Desirée Kennedy, Chief Financial Officer & City Treasurer

Not required

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**Options/Discussion:****Finance**

As determined through a report from KPMG and the 2017 audited report from Secker Ross and Perry Inc., THK was in a deficit position 4 of the past 5 years. The Service Manager has made significant changes to ensure that THK can be in a balanced budget for 2019 with an appropriate operating surplus contingency in place. While changes made since the Service Manager took control of the organization will ensure a balanced budget for 2019 with an appropriate operating contingency, it is expected that THK will be in a deficit for 2018. The audit has begun to determine the exact amount but it is expected to be similar to 2017. Significant costs were incurred to ensure maintenance was brought up to standard immediately after the Service Manager took control, including new life safety systems and neglected backlogged maintenance requests.

A balanced budget for 2019 has been produced, which has been achieved through significant savings on maintenance administration with the new contract with KFHC and a reduction in staffing to better reflect the needs of THK. The staffing reduction was achieved mainly through attrition. All maintenance sub contracts (i.e. snow clearing, elevator inspections) are now being administered directly by KFHC. All tenant maintenance requests are also administered by KFHC staff and follow KFHC service standards.

A capital budget and plan has been produced by KFHC which has now prioritized capital needs over the next three years in order to remain within budgeted allocations. This budget contemplates using a portion of THK's capital reserves for 2019 in order to prioritize the backlog of needed capital repairs prior to returning to a sustainable capital budget in 2020 and 2021.

**Governance and Administration**

The Service Manager has continued to make changes to ensure that THK's corporate governance structure meets provincial regulations. The Ministry of Government and Consumer Services requires that corporations have clear Boards of Directors registered, including at least a President, Secretary and not fewer than three Directors. Under the Project in Difficulty process through the HSA, the existing Board of Directors is placed in suspension while the Service Manager stabilizes the organization. Due to four of the nine Board members' terms already expiring and needing to ensure compliance with the Provincial corporate registry (primarily that a board needed to be named within 30 days of the date of notice by the Ministry), the Service Manager has informed remaining current Board members that they have been relieved from their appointment and the Service Manager is now acting as the Board. This will comply with the Corporations Information Act and the Corporations Act while the final determination of a merger with KFHC is pursued. This is also fully within the authority of the Service Manager under the HSA to act in this role.

**Merger Progress**

At the direction of Council, staff are investigating the best path towards a potential merger between THK and KFHC. All contracts and legal documents from each organization are being reviewed concurrently with an assessment of the financial structure of both organizations. Both reviews are being done with the purpose of determining the best means by which to merge the

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two organizations and to properly protect the resulting organization from any liabilities. Staff anticipate bringing a report to Council on this process around mid-year 2019.

**Existing Policy/By-Law:**

Not applicable

**Notice Provisions:**

Not applicable

**Accessibility Considerations:**

Not applicable

**Financial Considerations:**

Not applicable

**Contacts:**

Sheldon Laidman, Director, Housing & Social Services 613-546-4291 extension 4957

**Other City of Kingston Staff Consulted:**

Alan McLeod, Acting Director, Legal Services & City Solicitor

**Exhibits Attached:**

Not applicable