

# **The Corporation of the City of Kawartha Lakes**

## **Agenda**

### **Special Council Meeting**

**CC2020-14**

**Tuesday, December 15, 2020**

**Open Session Commencing at 12:00 p.m. - Electronic Public Participation**

**Council Chambers**

**City Hall**

**26 Francis Street, Lindsay, Ontario K9V 5R8**

#### **Members:**

**Mayor Andy Letham**

**Deputy Mayor Patrick O'Reilly**

**Councillor Ron Ashmore**

**Councillor Pat Dunn**

**Councillor Doug Elmslie**

**Councillor Tracy Richardson**

**Councillor Kathleen Seymour-Fagan**

**Councillor Andrew Veale**

**Councillor Emmett Yeo**

**Note: This will be an electronic participation meeting and public access to Council Chambers will not be available. Please visit the City of Kawartha Lakes YouTube Channel at <https://www.youtube.com/c/CityofKawarthaLakes> to view the proceedings.**

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1.	<b>Call to Order</b>	
2.	<b>Adoption of Agenda</b>	
3.	<b>Disclosure of Pecuniary Interest</b>	
4.	<b>Recess for the Kawartha Lakes-Haliburton Housing Corporation Annual General Meeting</b>	
5.	<b>CC2020-14.5.1</b>  <b>Kawartha Lakes-Haliburton Housing Corporation Annual General Meeting</b> Pat Dunn, Chair, Kawartha Lakes-Haliburton Housing Corporation	
6.	<b>The Special Council Meeting Shall Reconvene Following the Conclusion of the Kawartha Lakes-Haliburton Housing Corporation Annual General Meeting</b>	
7.	<b>Reports</b>	
7.1.	<b>CAO2020-008</b>  <b>Kawartha Lakes-Haliburton Housing - Governance and Operations Review and Recommendations</b> Ron Taylor, Chief Administrative Officer  <b>That Report CAO2020-008, KLH Housing – Governance &amp; Operations Review and Recommendations, be received;</b>  <b>That</b> the recommendations included in Appendix A, and as summarized in Table 1 of Report CAO2020-008 be approved; and  <b>That</b> the CAO be authorized to lead the implementation of those recommendations identified in Table 2 of Report CAO2020-008 within the timelines identified.	4 - 45
8.	<b>Correspondence</b>	
9.	<b>Confirming By-Law</b>	
9.1.	<b>CC2020-14.9.1</b>  A By-Law to Confirm the Proceedings of the December 15, 2020 Special Council Meeting	46 - 46

## 10. Adjournment



## **Council Report**

**Report Number CAO2020-008**

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**Meeting Date:** December 15, 2020

**Title:** KLH Housing – Governance & Operations Review and Recommendations

**Author and Title:** Ron Taylor, CAO

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### **Recommendation(s):**

**That** Report CAO2020-008 “KLH Housing – Governance & Operations Review and Recommendations”, be received;

**That** the recommendations included in Appendix A, and as summarized in Table 1 of Report CAO2020-008 be approved; and

**That** the CAO be authorized to lead the implementation of those recommendations identified in Table 2 of Report CAO2020-008 within the timelines identified.

**Department Head:**\_\_\_\_\_

**Financial/Legal/HR/Other:**\_\_\_\_\_

**Chief Administrative Officer:**\_\_\_\_\_

## **Background:**

The following resolution was adopted by the KLH Housing Corp Board of Directors at their regular meetings as noted below:

During the March 4, 2020 regular meeting, the following resolution was adopted:

Report 2020-008 Governance and Operation Review

**Moved by Dana Bowman, seconded by Fay Martin**

**Resolved That** Report 2020-008, “Governance and Operation Review”, be received;

**That** the review outlined in Report 2020-008 is supported; and

**That** the CEO be directed to present the proposed review to the City’s CAO, including a request for funding, as outlined in Attachment A, and report back to the Board at the June meeting.

**Carried 2020-019**

The request to the CAO was approved and subsequently Housing Services Corporation was engaged to complete the project. The final report of this project is included as Appendix A.

## **Rationale:**

This review is anchored by the KLH Housing Corporation’s 10-year strategic plan; vision, mission and values, and commitments. The Strategic Plan also identified five key priorities to enable the Corporation to achieve its vision.

It is within the strategic priority “Investing in our people” that HSC was retained to undertake a governance and operational review of KLH Housing to ensure that the Corporation was best positioned to achieve these priorities. As the Corporation positions itself for growth, it wishes to ensure that it has the corporate and leadership structure best suited to support that growth.

The scope of work focused on three areas; Corporate, Governance and Operations. For each element, HSC reviewed the current structure, considered current best practices and identified opportunities for better alignment with the strategic priorities.

The report, included as Appendix A, details the methodology, findings and recommendations. A summary of the recommendations is listed in Table 1.

<b>Table 1: Summary of Recommendations</b>	
1	<b>Corporate structure alignment:</b> Retain the current corporate legal structure of KLH Housing.
2	<b>Access to debt:</b> It is recommended that the City and the Corporation pursue further work on identifying a debt management strategy for the Corporation.
3	<b>County as shareholder:</b> Investigate and engage with the County to assess whether naming the County as a shareholder will allow increased debt capacity.
4	<b>Reinforcing Board member diversification (1):</b> Modify Board composition requirements to dedicate two (2) of the six (6) public Board positions for a tenants; one from the Kawartha Lakes and one from the County of Haliburton.
5	<b>Reinforcing Board member diversification (2):</b> Modify Board composition requirements so that priority be given to qualified individuals that are not City or County Council representatives when filling Board vacancies for the area-resident positions.
6	<b>Purchased services agreement:</b> The Corporation should consider developing a purchased services agreement with the City to govern the provision of City staff and other resources to Corporation.
7	<b>Shareholder direction:</b> The City and Board should work together to establish some guiding principles on how both currently operate. These should form the basis of an initial shareholder direction, which could be established in the short term.
8	<b>Update governance policies:</b> The Corporation should update its existing governance policies, as necessary, to ensure that there are no inconsistencies between existing policies and the City's shareholder direction (should one be issued).
9	<b>Dual Housing Manager/CEO role:</b> Split the CEO (KLH Housing) and Housing Manager (City) roles into two positions.
10	<b>Succession planning:</b> The development of a fulsome CEO Transition Plan is essential to ensure business and leadership continuity.
11	<b>Talent management:</b> KLH Housing should proactively plan for future leadership changes through formalized leadership development planning.
12	<b>Human resources understanding of housing operations:</b> Time should be invested between human resources, KLH Housing and the City's Housing Services staff to increase the understanding of the unique nature of housing operations and the role that housing staff play working directly with the complex needs of vulnerable residents.

Table 2 is a summary of the actions required to implement recommendations, requested outcomes and targeted deadlines.

<b>Table 2 – Outcomes and Timelines</b>			
<b>Action</b>	<b>Receiving Body</b>	<b>Requested Outcome</b>	<b>Timeline/Deadline</b>
Draft Final Report	Project Team	Feedback	November 19, 2020
HSC Presentation of the Governance & Operational Review Final Report	KLH Housing Corp Board of Directors	1. Approval 2. Request to the Shareholder	December 2, 2020
HSC Presentation of the Governance & Operational Review Final Report	KLH Housing Corp Shareholder	1. Approval 2. Delegation to KLH CEO to lead implementation of the following: <ul style="list-style-type: none"> <li>• #4 and 5 Reinforcing Board Member Diversification</li> <li>• #8 Update Governance Policies</li> </ul> 3. Request to KL Council	December 15, 2020
Report from Kawartha Lakes CAO presenting the Governance & Operational Review Final Report – Recommendations	KL Council	Delegation to KL CAO to lead implementation of the following recommendations: #2 Access to Debt #3 County as Shareholder #6 Purchased services agreement #7 Shareholder Direction #9 Dual Housing Manager/CEO Role split #10 Succession Planning	December 15, 2020

<b>Table 2 – Outcomes and Timelines</b>			
<b>Action</b>	<b>Receiving Body</b>	<b>Requested Outcome</b>	<b>Timeline/Deadline</b>
		#11 Talent Management Plan #12 Human Resources Understanding of Housing Operations	
Recommendations: #4 and 5 Reinforcing Board Member Diversification #8 Update Governance Policies	KLH CEO	Recommendations implemented	Q2 2021
Recommendations: #9 Dual Housing Manager/CEO Role split #10 Succession Planning	KL CAO	Recommendations implemented	January 31, 2021
Recommendations: #2 Access to Debt #3 County as Shareholder #6 Purchased services agreement #7 Shareholder Direction	KL CAO	Recommendations implemented	Q2 2021
Recommendations: #11 Talent Management Plan #12 Human Resources Understanding of Housing Operations	KL CAO	Recommendations Implemented	Q4 2021



During the KLH Housing Corporation regular meeting on December 2, 2020, the following resolution was adopted:

**Moved by Doug Elmslie, seconded by Dana Bowman**

**Resolved That** item #4 of Table 1 Summary of Recommendations, be amended to dedicate two (2) of the six (6) public Board positions for tenants, one from Haliburton County and one from Kawartha Lakes.

**Moved by Fay Martin, seconded by Jody Curry**

**Resolved That** Report 2020-021, "Governance and Operational Review Report and Recommendations", be received;

**That** the recommendations included in Attachment A to Report 2020-021; as summarized in Table 1 be approved as amended;

**That** the outcomes and timelines detailed in Table 2 of Report 2020-021 be approved;

**That** the report and recommendations be presented to the Shareholder at the Annual General Meeting on December 15, 2020; and

**That** the CEO report back to the Board on the progress of the implementation.

**Carried 2020-061**

The Board discussed three of the recommendations during the December 2<sup>nd</sup> meeting:

- Recommendation #5 - Reinforcing Board member diversification (1): There was concern that councilors of the four local County municipalities were included. Clarification that the recommendation pertains only to the County Councilors relieved this concern and no changes were made.
- Recommendation #6 - Reinforcing Board member diversification (2): The Board felt that two tenants should be considered, one from Kawartha Lakes and one from the County in order to bring the perspectives of the two, very different, geographical areas. This change was made to the recommendations and the report.
- Recommendation #9 - Dual Housing Manager/CEO role: There were questions related to how this additional position would be funded. It was clarified that the recommendation to fund this position for 2021 and possibly 2022 would be from a reserve and then it would be tax supported starting in 2023.

There were also concerns raised as to whether two full-time positions were warranted and if other scenarios or solutions were explored. It was clarified that several other options were considered however each resulted in another position being created. Each of these different scenarios were fully explored through the Project Team, with the dual Housing Manager/CEO role being recommended.

The position as currently structured requires several skill sets which would be difficult to recruit for. The current incumbent has grown into this role, expanding skills as required, but has had to juggle and prioritize KLH Housing and Service Manager priorities. The extent of the responsibilities for this role require the current incumbent to work well beyond regular hours of work.

Both KLH Housing and the Service Manager are in stages of significant change and growth, and there are advantages to independent leadership for each organization, including, but not limited to:

- a. autonomy;
- b. removal of the perceived conflict situation in allocating funding;
- c. more of a development ready focus for KLH Housing Corp;
- d. greater focus on City budgets and service agreements for the Service Manager; and
- e. greater oversight of the staff specifically working in each area organization.

The overall intent of this review was to ensure that KLH Housing is in a position to achieve its very aggressive but necessary 10-year strategic plan.

As the Service Manager, there is significant provincial legislative changes occurring as well as an aggressive and necessary new 10-year Housing & Homelessness Plan, Housing Master Plan and Housing Asset Management Plan.

### **Other Alternatives Considered:**

Alternatives are referenced within the Governance and Operational Review Report.

### **Alignment to Strategic Priorities**

This report aligns with the following strategic priorities:

- An Exceptional Quality of Life
- Good Government

## **Financial/Operation Impacts:**

The expenses related to this project and the implementation of the recommendations will be funded through various means:

Position changes related to splitting the CEO (KLH Housing) and Housing Manager (City) roles into two positions – These changes are being incorporated into the operating budget as a CKL expense. The recommendation is to fund from the Housing Staffing Reserve in 2021 and 2022 with the expense in 2023 becoming tax supported. There is currently \$216,282.75 in this reserve which was established in 2001 to assist with items of this nature.

Legal Expenses related to Agreements and potential shareholder changes – The recommendation is to fund through the CKL Canada Ontario Community Housing Initiative funding.

## **Consultations:**

Housing Services Corporation  
Project Team  
KLH Housing Corporation Board of Directors  
Treasurer

## **Attachments:**

Appendix A KLH Governance and Operations Final Report



HSC KLH Governance  
Operational Review -

**Department Head Email:** rtaylor@kawarthalakes.ca  
**Department Head:** Ron Taylor, CAO



# Governance and Operational Review

Kawartha Lakes - Haliburton Housing Corporation

December 2, 2020

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## Acknowledgements

The Governance and Operational review of the Kawartha Lakes-Haliburton Housing Corporation (herein, “*KLH Housing*” or “*the Corporation*”) is the result of a collaborative process with oversight by a Project Team that includes representation from the Corporation, the City of Kawartha Lakes, and the County of Haliburton. The Housing Services Corporation (herein, “*HSC*”) would like to thank the Project Team members, as outlined below, for their input and contributions during the project.

- **Hope Lee**, Chief Executive Officer, KLH Housing (Project Chairperson & Lead)
- **Pat Dunn**, Chairperson, KLH Housing Board of Directors
- **Brent Devolin**, Vice Chair, KLH Housing Board of Directors
- **Ron Taylor**, Chief Administrative Officer, City of Kawartha Lakes
- **Mike Rutter**, Chief Administrative Officer, County of Haliburton
- **Rod Sutherland**, Human Services Director, City of Kawartha Lakes (Service Manager Rep.)
- **Michelle Corley**, Human Services, Program Supervisor, City of Kawartha Lakes (Service Manager Rep.)
- **Carolyn Daynes**, Treasurer, City of Kawartha Lakes (and KLH Housing Corporation)
- **Elaine Taylor**, Treasurer, County of Haliburton

HSC would also like to thank staff and representatives from KLH Housing, the City of Kawartha Lakes, and the County of Haliburton who took the time to share their insights and ideas regarding key aspects of the review. In addition, we would like to thank sector subject matter experts and individuals who participated in interviews, provided feedback, and shared background information and resources pertaining to their organizations. In particular, we would like to thank Northumberland County, County of Simcoe, Peterborough Housing Corporation, Ministry of Municipal Affairs and Housing, City of London- Housing Development Corporation, Housing York Inc., and Haldimand-Norfolk Housing Corporation.

The Corporation would like to thank its shareholder, the City of Kawartha Lakes, for its support in making this project possible and a priority.

### Project Sponsor

- **Hope Lee**, Chief Executive Officer, Kawartha Lakes-Haliburton Housing Corporation



## Consulting Team

The consulting Team for this project consisted of:

- **Judy Lightbound**, Managing Director, Business Solutions, Housing Services Corporation
- **Lisa M. Oliveira**, Senior Housing Consultant, Business Solutions, Housing Services Corporation
- **Sam Starkman**, Legal Counsel, Housing Services Corporation
- **Tim Engert**, Manager Business Analytics, Housing Services Corporation



The Housing Services Corporation (HSC) is a non-profit organization that has been providing customized business solution services to the social housing sector for nearly 20 years. HSC Business Solutions works with Ontario's community housing providers and 47 service managers to help them make the best use of their resources and manage their assets effectively. HSC is committed to improving the long-term health and sustainability of Ontario's 1,400 community housing properties, and ensuring that residents have access to safe, quality, and affordable housing options. Formerly the Social Housing Services Corporation, HSC was created by the province under the Social Housing Reform Act (2000), repealed by the *Housing Services Act* (2011).

## Disclaimer

The information contained in this report is reflective and addresses the circumstances of KLH Housing. This review was prepared on the direction of KLH Housing and solely for the purposes of the Corporation. The issues investigated and related recommendations may not be relevant to similar third-party entities. The review is based on objective analysis and information provided to HSC by KLH Housing and external stakeholders, and does not necessarily represent HSC's views, comments, and/or opinions.

The identification and discussion of legal and business considerations in this report is for information purposes only and does not constitute legal advice. For clarity, HSC is not issuing legal advice to the Corporation or any other party under this report.

Although HSC endeavours to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received, or that it will continue to be accurate in the future. No one should act on such information without appropriate consultation and/or further investigation.

## Executive Summary

KLH Housing Corporation (the “Corporation”) has established an ambitious Strategic Plan for its operations from 2020 to 2029. The Strategic Plan outlines a set of key strategic priorities with the ultimate goal of delivering on the corporation’s mission; to lead and collaborate with others to create a variety of quality, safe, accessible, sustainable and affordable housing for the residents of the City of Kawartha Lakes and the County of Haliburton.

In order to ensure that the Corporation is positioned to deliver on this mandate, Housing Services Corporation (“HSC”) was engaged to undertake a review of the corporate structure, operations and governance of KLH Housing to assess if each element is aligned to best support the achievement of the strategic priorities.

In its review, HSC considered the current KLH Housing structure, met with key staff within the Corporation and the City of Kawartha Lakes and engaged broadly with the housing sector in Ontario to bring examples of best practice, policy, process and system improvements. Throughout its review, HSC worked closely with a Project Team, comprised of representatives from the Corporation, the KLH Housing Corporation Board of Directors, the City of Kawartha Lakes and the County of Haliburton. We also worked closely with the project lead; the CEO of the Corporation. The Project Team met monthly throughout the review and provided invaluable feedback and insight into this process.

After a comprehensive review, a key finding by HSC is that KLH Housing is extremely well positioned for growth. The organization has built a solid foundation, consisting of knowledgeable staff, an engaged Board of Directors, clear strategic vision, a strong reputation and a financially viable business model. Throughout the review we noted the strength of the Corporation, its positive relationship with its shareholder and commitment by staff and the Board to pursue new opportunities.

The recommendations contained in this report therefore do not suggest significant changes to how the Corporation operates in any of the areas considered. Rather, the recommendations are intended to support the Corporation to find opportunities to drive the development of new housing and diversify its business. The recommendations speak to protecting and building on the work that has been done to date and to ensure that the forward progress of the organization continues to 2029 and beyond, as board and staff members turnover.

A summary of the recommendations are as follows:

### Recommendations related to the Corporate Structure

- **#1: Corporate structure alignment:** Retain the current corporate legal structure of KLH Housing. The Corporation’s legal structure is currently structured to undertake the work necessary to achieve KLH Housing’s Strategic Priorities. There is benefit to the City, the County and the Corporation in the “hybrid” model, with a strategic and independent Board of Directors and strong operational alignment with the City and County.
- **#2: Access to debt:** There is no value in assuming the cost and time necessary to create a more independent corporate entity and no viable corporate structure that would allow the Corporation’s debt to be fully separated from the City. Therefore, it is recommended that the City and the Corporation pursue further work on identifying a debt management strategy for the Corporation. Work is currently underway by the City Treasurer to identify debt capacity within both the provincially set Annual



Repayment Limit and, the debt-to-revenue ratio. This work should continue and the City and the Corporation should continue to support Council in understanding debt as a financing tool, with associated risk management strategies. Debt being incurred by KLH Housing for new development is fully serviced debt through the revenues that the building will generate. This type of debt can be seen as “good” debt, where the financial risks to the City are significantly reduced and the cost of borrowing does not flow to tax payers. Adequate approval processes are currently in place to ensure service manager approval of any debt incurred by the Corporation. The process of implementing and managing these internal controls should also be considered in a debt management strategy. In order to facilitate planning, the City should pursue the establishment of a dedicated debt limit for KLH Housing which would allow the Corporation to plan and manage within a set debt ceiling from which to pursue affordable housing development

- **#3: County as shareholder:** Investigate and engage with the County to assess whether naming the County as a shareholder will allow increased debt capacity.

#### Recommendations related to the Governance:

- **#4: Reinforcing Board member diversification (1):** Modify Board composition requirements to dedicate two (2) of the six (6) public Board positions for a tenant from the City and the County. Establish unique criteria for these representatives (i.e. years of tenancy, past involvement in the community, etc.) and use that criteria when calling for nominations. The policy should specify that in filling the tenant representative Board positions, priority is given to tenant applicants, however, general City/County resident applicants may be considered where there are no interested or qualified tenant applicants. This is important to avoid a situation where a Board vacancy cannot be filled because there are no interested or qualified tenant applicants.
- **#5: Reinforcing Board member diversification (2):** Modify Board composition requirements so that priority be given to qualified individuals that are not City or County Council representatives when filling Board vacancies for the area-resident positions.
- **#6: Purchased services agreement:** The Corporation should consider developing a purchased services agreement with the City to govern the provision of City staff and other resources to Corporation.
- **#7: Shareholder direction:** In keeping with sector practices and in support of good governance and succession planning, the City and Board should work together to establish some guiding principles on how both currently operate. These should form the basis of an initial shareholder direction which could be established in the short term.
- **#8: Update governance policies:** The Corporation should update its existing governance policies, as necessary, to (i) reflect the recommendations of this report (i.e. updating Board composition policies), (ii) consolidate policies addressing the same content (i.e. Board recruitment and Board nomination/election) and (iii) ensure that there are no inconsistencies between existing policies and the City’s shareholder direction (should one be issued).

## Recommendations related to the Operations

- **#9: Dual Housing Manager/CEO role:** Split the CEO (KLH Housing) and Housing Manager (City) roles into two positions. Splitting the dual role respects the job demands, specialized skills, and complex and growing workload of both roles. Creating two distinct roles also allows for the hiring of a housing/homelessness professional with the required skillsets for the CEO role; including collaboration and partnership building, and focus on new development and entrepreneurialism.
- **#10: Succession planning:** The development a fulsome CEO Transition Plan is essential to ensure business and leadership continuity. The retirement of the current CEO poses an opportunity to update the CEO job description to reflect any new roles or priorities. Through the new hiring process, identify key skillsets and work closely with human resources to ensure that these are included in the job posting. As part of the process, the City must work backwards with the job posting to ensure sufficient time for CEO transition (at least 2 months). It will be critical to consider if the position will be posted internally and externally and to consider how the successful candidate will be selected, and what role, if any the Board will play.
- **#11: Talent management:** KLH Housing should proactively plan for future leadership changes through formalized leadership development planning. Leadership development should be a strategic goal for the Corporation, and should focus on the CEO and on the senior staff that support the CEO role. There are opportunities to increase the responsibilities of the Program Supervisor and Manager, Buildings and Property to enhance their roles over a one-to-three year period to both provide additional support to the CEO role, and to support succession planning. The Corporation should assess and support readiness of staff to assume greater responsibility, and then establish individual training and professional development plans for all senior level staff to support their career growth. This will enable staff and the Corporation to be prepared to address new challenges and maximize new opportunities.
- **#12: Human resources understanding of housing operations:** Time should be invested between human resources, KLH Housing and the City's Housing Services staff to increase the understanding of the unique nature of housing operations and the role that housing staff play working directly with the complex needs of vulnerable residents. The City's human resources staff should be encouraged to consider ways to enhance the education or skills of particular positions to recognize the unique nature of housing positions, which may mean hiring externally. It is important for the Corporation to have input into position descriptions and job requirements to ensure that they reflect the unique requirements of housing.

KLH Housing is poised to grow and take on new challenges. As it moves to an increasingly self-sustaining business model and entrepreneurial mind-set, it will continue to be a key driver in meeting the City and County's housing and homelessness goals. As noted earlier, the recommendations outlined in this report recognize the significant work done to date and respect the fact that the Corporation is well established. By implementing the recommendations, we believe that the Corporation will continue to grow and will be able to deliver on all of its strategic priorities.

# 1.

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## Introduction

Kawartha Lakes-Haliburton Housing Corporation (herein, “*KLH Housing*” or “*the Corporation*”) owns and manages over 700 units, making it the largest housing provider in the City of Kawartha Lakes (herein, the “*City*”), and the County of Haliburton (herein, the “*County*”). KLH Housing strives to maintain and leverage its current housing assets while taking a leadership role in the provision of affordable housing to meet local needs. As a housing provider regulated by the *Housing Services Act (2011)*, it is responsible for owning and operating affordable residential rental housing (community housing). The City is the sole shareholder of the Corporation and an independent Board of Directors is responsible for the strategic governance of KLH Housing.

KLH Housing is a key partner with the City and County on the achievement of its goals to increase the supply of affordable housing and to improve access to adequate, suitable and affordable housing for local residents.

In 2019, the Board of the Corporation approved a new 10-year Strategic Plan focused on longer term priorities and strategies. The 2020-2029 Strategic Plan identified five key priorities to enable the Corporation to achieve its vision of providing quality affordable housing with support services across all of its communities.

- i. Strengthen Our Relationships
- ii. Provide Quality Housing
- iii. Ensure Sustainable Funding
- iv. Build More Affordable Housing
- v. Invest in Our People

It is within the context of this Strategic Plan, and the strategic priority to “Invest in Our People”, that Housing Services Corporation (herein, “*HSC*”) was retained to undertake a governance and operational review of KLH Housing with the goal to ensure that the Corporation was best positioned to achieve these priorities.

KLH Housing has set ambitious goals focused on tenants, staff, partnerships, leadership and fiscal responsibility. The Governance and Operational Review of KLH Housing (herein, the “*Project*”) considers the alignment of the corporate legal structure, the board composition and skills sets, and staff roles and responsibilities with the Corporation’s strategic priorities. This proactive review looks forward to best position KLH Housing to meet future challenges, and to take advantage of new opportunities.

As the Corporation positions itself to expand both the number of units that it owns and manages, as well as the services it provides, it wishes to ensure that it is focused on ensuring that it has the corporate and leadership structure best suited to support that growth. As such, objectives of this Project are to consider the corporate, governance and operational structure of the Corporation to ensure that they provide the most effective and efficient foundation upon which the Corporation can expand its business offerings. A key element of this Project is engagement with the housing sector in order to bring examples of good practice, policy, process or system improvements to the review.

As **Figure 1** demonstrates, the scope of work focused on three areas: Corporate, Governance, and Operations. For each element, HSC reviewed the current structure, considered current best practices and identified opportunities for better alignment with the strategic priorities. The overall objective of the Project is to ensure that the Corporation is well positioned and aligned across all three elements, to achieve the ambitious goals it has set through its Strategic Plan.

**Figure 1: Project Scope of Work**



This report presents the results from the review. Sections 2 and 3 provide the context of the project and summarize the methodology implemented. The report then addresses each element: corporate structure, governance and operations in turn, outlining the objectives of the review, observations and key issues, and recommendations.

This report includes a number of recommendations which are provided for the consideration of KLH Housing. Some recommendations will require additional investigation and engagement with City and County staff in order to move forward.

# 2.

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## Approach and Methodology

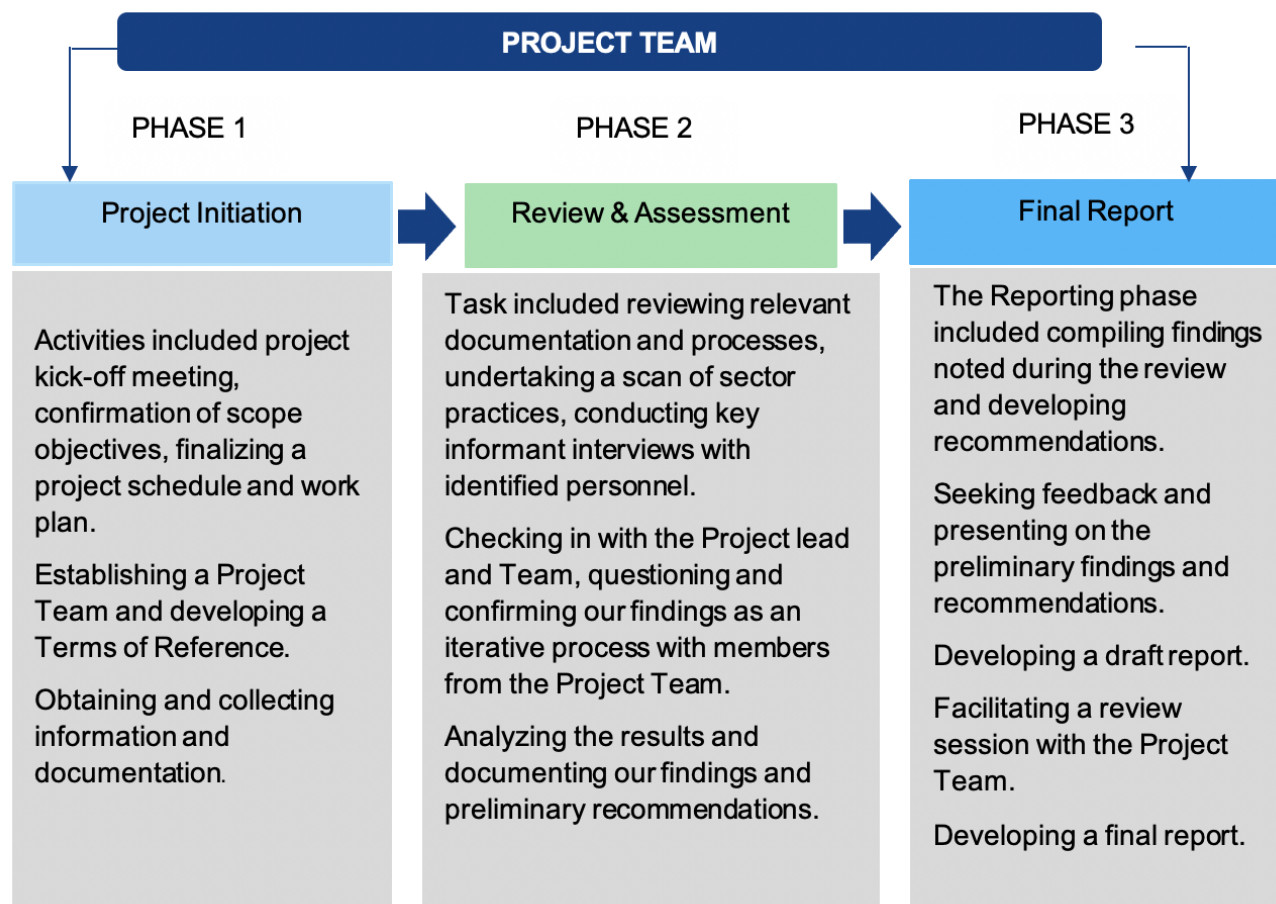
### 2.1 Approach

The Project includes analyses pertaining to three separate, but interrelated, elements of KLH Housing.

1. **Corporate Structure** – an examination of the Corporation’s current structure and alternative models was conducted based on sector practices. In addition, several scenarios for KLH Housing’s corporate structure were developed to demonstrate alternative options for better alignment to meet the Strategic Priorities established by the organization. In this regard, the elements that should be in place to enable the implementation of the various corporate structure scenarios have been outlined.
2. **Governance** – elements of the review include the broader governance framework as well as the mechanisms governing the relationship between KLH Housing and the service manager (i.e., the City of Kawartha Lakes and the County of Haliburton), and governance framework. In addition, key aspects of KLH Housing governance were reviewed. Included in this review were elements such as Board structure (i.e., representation and size of the Board of Directors), corporate governance policies, the recruitment/on-boarding orientation and training process and Board engagement opportunities to support the Board in its oversight role and professional development.
3. **Operations** – the focus of the review was on staffing capacity and more specifically, KLH Housing’s leadership team (i.e., the CEO and senior management roles). Also examined were the current staffing functions, required skillsets, core competences and job descriptions to determine alignment with the overall strategic direction of KLH Housing. Part of the operations assessment involved examining the current stability of KLH Housing with respect to its human resources. This activity integrated staff professional-development growth and opportunities for expanding roles in support of informing a Talent Management Plan.

Within the three areas reviewed, HSC obtained information required to assess the current nature of KLH Housing, focusing on what is working well and whether any changes were required to support the growth of the organization. Through an analysis of the information compiled, issues were identified and options regarding approaches to address these areas were presented in the form of key observations and recommendations.

The review was completed through a collaborative three-phased approach with the Project Team. **Figure 2** illustrates the key phases of the project.

**Figure 2: Key Project Phases**

### Project Team

A Project Team with representatives from the City and County departments and KLH Housing helped guide the review process. The Project Team provided advice, and input throughout the project. A Terms of Reference guided the work of the Project Team and outlined the monthly milestone meetings to address the three key areas of the review.

The Project Team consisted of nine (9) members, which included the Corporation's Chief Executive Officer, two (2) Board representatives from the KLH Housing Corporation, two (2) service manager representatives, and the Chief Administrative Officer and the Treasurer for both the City and the County.

HSC was involved in conducting background research, facilitating key informant interviews, summarizing the findings and developing recommendations, and reporting back to the Project Team at scheduled monthly meetings.

The Chair of the Project Team, also the project sponsor (KLH Housing), met regularly with HSC to discuss key thematic areas of the investigation and to provide input and direction on identified issues, findings and preliminary recommendations.

## 2.2 Methodology

The review is based primarily on qualitative data from the most reliable and relevant sources. Primary data (gathered through key informant interviews) and secondary data (gathered through the review of relevant reports/documents) supported the review. Further, a series of discussion questions and the use of survey polling with the Project Team were used to obtain feedback on various elements of the review.

### Primary Information Sources

The Project involved engagement with a number of stakeholders through key informant interviews and discussions with members of the Project Team, KLH Housing staff, subject matter experts from different departments within both the City and the County, housing corporations in Ontario, and with service manager representatives.

- *Engagement with City management staff* – City senior management staff participated in more in-depth discussions on a range of areas including the current corporate structure and governance model, alternative scenarios for consideration, leadership structure options, organizational staff capacity, and issues related to debt servicing/access to debt. County staff were also engaged throughout the process as a critical stakeholder to this review.
- *Engagement with KLH Housing management staff* – discussions were held with the Corporation's senior management regarding aspects of KLH Housing to provide additional background information to support the review activities. This included presenting elements of the assessment related to corporate structures and staffing capacity to obtain feedback regarding recommended changes, and to capture suggestions to address issues and to support improvements in the delivery of services by KLH Housing.
- *Engagement with sector subject matter experts* – key informant interviews/discussions were undertaken with service manager representatives from comparable jurisdictions in Ontario, senior staff of various housing organizations (i.e., Local Housing Corporations, Housing Development Corporations, etc.) and the Ontario Ministry of Municipal Affairs and Housing. These in-depth discussions were conducted to compile background information and determine areas of leading practice, to investigate policy, process and resource capacity (financial and human), to identify potential improvements to the organizational structure, and in particular, to target potential areas for change in relation to corporate entities and governance models.



## Secondary Information Sources

Besides the information gathered from the engagement, the work included the collection of secondary sources from KLH Housing and other organizations or jurisdictions. The data-gathering process resulted in the following:

- *Documentation review* – This included KLH Housing’s 10-Year Strategic Plan, Social Housing Master Plan, City of Kawartha Lakes Housing and Homelessness Plan, incorporation documentation, policies and by-laws, job descriptions, organizational charts, presentations and other background documents and reports.
- *Scan of best practices* – Background information from organizations’ websites, publicly available documents and other resources were compiled to inform areas for further in-depth review, and to identify strategies for Board Succession and Talent Management.
- *Regulatory review* – Relevant pieces of the Housing Services Act (2011) were investigated to understand the ability of a municipality in a service manager area to acquire shares in a Local Housing Corporation.
- *Scan of Local Housing Corporations* – Municipally owned housing corporations across Ontario were reviewed to better understand the types of corporate structures that have formed since the time of devolution, recent transitions or modifications to the structures, and the similarities and differences to KLH Housing. The analysis of these structures informed the development of several models of corporate structures as options to support KLH Housing in its expansion and growth over the next ten years.
- *Succession Management Planning Assessment* – To capture the current and future staffing capacity of KLH Housing, a succession management planning tool was utilized to document the continuity of the leadership team and the stability of key organizational roles. Further, this tool was utilized to identify potential risks anticipated in staff positions (i.e., position vacancies), alignment of current roles over the short and longer term, contingency plans for key staffing roles, and opportunities to invest in current staff to support professional development.

## Scope Limitation

Every effort has been made to develop a final report that addresses all project expectations. This report, however, should not be construed as a comprehensive organizational business practice and operations review of KLH Housing, as this was not the intent and is beyond the scope of the project objectives. This Project was undertaken within a five-month timeline, and, therefore, the findings for some elements of the review are supported by high-level recommendations.



# 3.

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## KLH Housing Corporation

KLH Housing is a well-established housing provider led by experienced staff and governed by an independent Board of Directors. The Corporation was incorporated under the *Business Corporations Act* in 2000, with the City as its sole shareholder. In 2006, KLH Housing amalgamated with Lindsay Non-Profit Corporation.

The Corporation's vision is to offer "Quality affordable housing with support services across all of our communities." The 2020-2029 Strategic Plan articulates the Corporation's mission to:

*"Lead and collaborate with others to create a variety of quality, safe, accessible, sustainable, and affordable housing for the residents of Kawartha Lakes and the County of Haliburton."*

### Relationship with City/County

The City is the sole shareholder for KLH Housing. In addition, all staff of the Corporation are City employees and governed by the human resources policies of the City. The City and the County are represented on the Board of Directors of KLH Housing.

The Corporation has established a number of governance policies which articulate the composition, qualifications, role, term and operations of the Board of Directors. Under these policies, the Board will be comprised of six residents of the City and County (who may be municipal councillors), two Council Members from the City, and one Council Member of the County.

Current reporting between the Corporation, and the City and County, are done through meetings of the Joint Social and Housing Services Advisory Committee and through presentations to the Shareholder at the Annual General Meeting. Coordination of the activities of the Corporation and the City are achieved through the staff position of the Manager, Housing Services (City) and Chief Executive Officer (Corporation) which is a dual role.

### Transformation and Growth of KLH Housing

KLH Housing currently operates over 700 rental units and is striving to leverage these current housing assets to expand the availability of affordable housing across the City and the County. KLH Housing provides good quality, safe, accessible, sustainable and affordable housing to low income households in the City and County.

In 2019, the City updated its 10-Year Housing and Homelessness Plan (herein, the "*HHP*"). The HHP recognizes the important role that KLH Housing has in providing housing across the City and County, particularly in supporting the City and County as they plan to not only sustain the current housing stock but to grow it to meet future needs of local residents. The HHP outlines the need to increase housing options across the housing continuum, with a focus on new housing developments that will lead to mixed income communities for low, medium and supportive income levels.

In recent years KLH Housing has gained significant development expertise with new housing developments completed in the villages of Haliburton, Minden and Lindsay. The HHP outlines a number of additional goals for the Corporation including leveraging current single and semi-detached units to build new affordable housing units.

KLH Housing has been actively pursuing transformation and growth as it transitions from a historic public housing model, reliant entirely on government funding, to a financially self-sustaining operating model. This proactive transformation is evidenced by the Corporation's Regeneration Plan and was a key factor in the development of a new, long term, Strategic Plan for the Corporation in 2019.

### Strategic Plan (2020-2029)

In 2019 the City undertook not just the update to the HHP but also developed a Social Housing Master Plan (2019-2041). In recognition of the critical role that KLH Housing will play in delivering on the goals of both, in 2019 the Board of Directors undertook an expanded strategic planning process which led to the establishment of the 2020-2029 Strategic Plan. This Strategic Plan reaffirmed the vision, established strategic priorities and identified actions which the Corporation can take to realize its goals over the next ten years.

The Strategic Plan set a number of priorities with the goal of ensuring that the Corporation is positioned to increase its number of units through acquisitions or new development, seek new partnerships, access external funding and investments and realize a self-sustaining business model.

# 4.

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## Findings and Recommendations

### 4.1 Corporate Structure

#### 4.1.1 Objectives

This section addresses the corporate structure currently in place at KLH Housing. It also suggests opportunities for improvement with the primary objectives of ensuring that the corporate structure supports the achievement of the Corporation's strategic priorities.

#### 4.1.2 Current Corporate Structure

Under the *Social Housing Reform Act, 2000* and the transfer orders effective January 2001, public housing assets, liabilities and employees were transferred from provincial to local control via the creation of local housing corporations. KLH Housing is one of 47 local housing corporations that were created. Each service manager was permitted to make local decisions about the structure of the local housing corporation, including whether to maintain these as separate entities, the governance and corporate legal structure, the role of municipal government, budgeting and financial processes, human resource policies and whether to have staff as municipal employees or as employees of independent corporations.

KLH Housing, as incorporated with an amalgamated Lindsay Non-Profit, has been structured as a separate legal entity with strong operational ties with the City. It has an independent Board of Directors which reports to its sole shareholder (the City) annually. However all staff of the Corporation are City staff and the Corporation follows the human resources policies and budgeting and financial processes of the City.

The Corporation's corporate objects are stated in Governance Policy No. GA20 as follows:<sup>1</sup>

- Provide, operate, maintain and construct housing accommodation;
- Administer programs providing rent-geared to income assistance to households of low to moderate income;
- Provide accommodation for persons having special needs; and
- Pursue other objects prescribed under the *Housing Service Act, 2011*.

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<sup>1</sup> Note that the objects have been paraphrased. Please refer to Governance Policy No. GA20 "Objects of the Corporation" for specific language.

#### 4.1.3 Observations and Key Issues

HSC's assessment of the corporate structure included a review of the current corporate structure to identify what is working and where there may be areas for improvement. It also included engagement with other local housing corporations, service managers and housing development corporations to understand what alternative models exist in the housing sector and how a change to KLH Housing's corporate structure might better facilitate the achievement of its strategic goals.

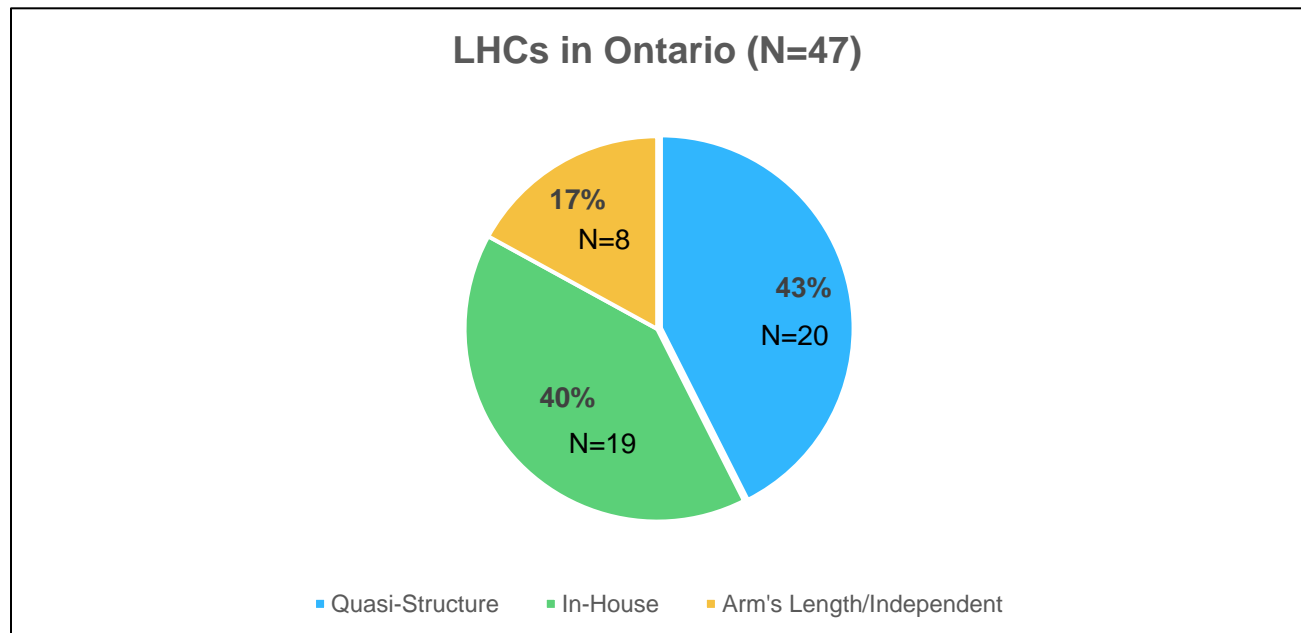
##### ***What is working?***

Meeting the needs of the City and the Corporation: Feedback from the Project Team confirms that the current corporate structure broadly meets the needs of both the City and KLH Housing. The current structure is seen as providing the right balance between City oversight and corporate autonomy and effectively supports the mandate and strategic goals of both the City and KLH Housing.

##### ***Issues to address:***

- a) Ensuring KLH Housing has the corporate structure to allow it to meet its strategic priorities: Since the time of devolution, service managers have created a number of different corporate structures for their local housing corporations, some with greater independence from the service manager than others. As part of this analysis, HSC completed a scan of how other local housing corporations are structured across Ontario with three different structures emerging:
  - 1. Arm's Length/Independent: Ownership and management of social housing by the local housing corporation (herein, "LHC").
  - 2. Quasi-Structure: Ownership of social housing by the LHC but management by the service manager.
  - 3. In-House: Ownership and management of social housing by the service manager.

A summary of the results of the scan are found in **Figure 3**.

**Figure 3: LHC Corporate Structures/Models in Ontario**

As Figure 3 notes, the most common approach in Ontario is the “Quasi-Structure” or hybrid model that is currently in place for KLH Housing. These types of corporate structures benefit from retaining the legal structure of the local housing corporation while ensuring alignment through shared services and staff with the service manager.

**Recommendation #1:** Retain the current corporate legal structure of KLH Housing. The Corporation’s legal structure is currently structured to undertake the work necessary to achieve KLH Housing’s Strategic Priorities. There is benefit to the City, the County and the Corporation in the “hybrid” model, with a strategic and independent Board of Directors and strong operational alignment with the City and County.

- b) Access to debt: A key consideration for the City and the Corporation is facilitating KLH Housing’s ability to access debt. The Project Team raised the issue that the City may not have sufficient room in its debt ceiling to be able to support the ambitious development goals of the Corporation. In order to understand options and opportunities for the Corporation to potentially separate its debt from the City, a number of corporate models were examined by HSC, a summary of which is provided in **Figure 4**.

**Figure 4: Corporate Structure considerations to support access to debt**

HSC had established that the current corporate structure enabled the achievement of the strategic priorities of the Corporation. Therefore, these additional models were considered to identify if an alternate structure would offer opportunities to distance the Corporation's debt from the City.

After reviewing each model and in consultation with organizations operating under these models, it is clear that in order to ensure that borrowing undertaken by the Corporation does not flow to the City, a fully independent non-profit would need to be established that had a very limited relationship with the City. To ensure that debt of the Corporation did not become debt of the City, this separate entity would not be able to have a shareholder relationship with the City and must have dedicated and separate Corporate staff. This entity would be required to operate more independently with the only ties to the City being through operating, rent supplement and development agreements.

The Project Team considered the risks and costs associated with creating a fully independent non-profit corporation and determined that this was not a desired path to take.

**Recommendation #2:** There is no value in assuming the cost and time necessary to create a more independent corporate entity and no viable corporate structure that would allow the Corporation's debt to be fully separated from the City. Therefore, it is recommended that the City and the Corporation pursue further work on identifying a debt management strategy for the Corporation. Work is currently underway by the City Treasurer to identify debt capacity within

both the provincially set Annual Repayment Limit and, the debt-to-revenue ratio. This work should continue and the City and the Corporation should continue to support Council in understanding debt as a financing tool, with associated risk management strategies. Debt being incurred by KLH Housing for new development is fully serviced debt though the revenues that the building will generate. This type of debt can be seen as “good” debt, where the financial risks to the City are significantly reduced and the cost of borrowing does not flow to tax payers. Adequate approval processes are currently in place to ensure service manager approval of any debt incurred by the Corporation. The process of implementing and managing these internal controls should also be considered in a debt management strategy. In order to facilitate planning, the City should pursue the establishment of a dedicated debt limit for KLH Housing which would allow the Corporation to plan and manage within a set debt ceiling from which to pursue affordable housing development

- c) County as shareholder: Early on in the review, the Project Team inquired whether the County would be able and/or willing to be a shareholder of KLH Housing and if that would allow an expansion to KLH Housing’s debt capacity. Section 29 of the Housing Services Act, 2011 allows a municipality in the service manager’s area to acquire shares in a local housing corporation via service manager written consent. Direct engagement with staff at the Ministry of Municipal Affairs and Housing confirmed that adding the County as a shareholder is entirely within the abilities of the City, as service manager, and that no approvals by the provincial government are necessary. If the County wishes to be a shareholder, the service manager must issue shares via a consent in writing.

**Recommendation #3:** Investigate and engage with the County to assess whether naming the County as a shareholder will allow increased debt capacity.

## 4.2 Governance

### 4.2.1 Objectives

This section provides an assessment of the governance model currently serving the Corporation and considers opportunities for improvement with the primary objectives of:

- a) ensuring that the Board of Directors is equipped to guide the Corporation to achieve its strategic goals, and
- b) supporting succession planning at the Board of Directors and executive levels.

### 4.2.2 Current Governance Model

The governance of the Corporation is grounded in its Board of Directors. As stated in the “Current Corporate Structure” section, the Board reports to its shareholder (the City) and guides the Corporation by dealing directly with the Chief Executive Officer.

The Corporation’s By-laws dealing with its directors provide that the Corporation shall have between two (2) and thirteen (13) directors. Relevant By-laws were last updated in 2013, where the Board was required to initially carry nine (9) directors. Directors are appointed for four-year terms. Terms are staggered so that each

year between two and three directors' terms expire and those directors need to be reappointed or replaced. Directors are only permitted to serve two consecutive terms. However, after a four year "retirement", directors can be reappointed.

Board composition is further discussed in two of the Corporation's governance policy documents (Governance Policy Nos. GD10 "Board Member Recruitment" and GD20 "Board Member Nomination and Election"); in each case, under "Shareholder Direction". These policies specify that the Board is required to include the following representation:

- Six (6) residents of the geographic area served by the Corporation, who may or may not be municipal councillors;
- Two (2) City council members; and
- One (1) County council member.

These two policies further provide the process for recruiting and nominating Board representatives. Board members are nominated by a committee comprised of the Corporation's CEO and two active Board members. The inclusion of local residents on the Board of Directors is intended to provide the Corporation with a diverse Board, bringing a broad range of perspectives and skills to help guide the Corporation.

In addition to the previously discussed "Governance Policy" documents, the Corporation has also established a number of other policy documents intended to guide the Board of Directors and/or inform the relationship between the Board, the CEO, City staff, and/or the City as shareholder.

The Corporation has the power to borrow money or grant security under its By-laws, and these powers rest with the Board of Directors (as it may delegate authority to the Corporation's staff).

#### 4.2.3 Observations and Key Issues

As previously stated in this report, HSC's analysis of the Corporation's governance model is based on (among other things) a review of the Corporation's existing documentation, discussions with the Project Team, and a comparative review of similar municipal housing corporations engaged in development. Unanimous feedback from the Project Team indicated that the current governance model is operating effectively. That being said, there are areas where certain changes could be made to better support the Board in its efforts to guide the Corporation in pursuit of its goals, and to assist with succession planning.

#### ***What is working?***

- a) **Board size and terms:** Feedback from the Project Team confirms that the Board structure, size and terms are working well and the Board is well positioned to provide strategic governance to the Corporation. A review of similar housing corporations confirms that the Corporation's Board size and term structure are consistent with common sector practices. The use of staggered terms and two-term limits for directors have the benefit of ensuring that new directors with fresh perspectives are regularly joining the Board.



- b) **Board composition:** The Project Team further indicated that the inclusion of representatives from the public has helped to foster an engaged and strategic Board that brings a diverse skill set with differing perspectives to the Corporation. While not all municipal housing corporations require public representation on their Boards, this feature is consistent with Board recruitment practices in housing corporations that have recently engaged in governance reviews. As recognized and confirmed by the Project Team, soliciting non-government Board members enables a corporation to access potential Board members with skills and experience in areas such as financial services, law, and real estate development, all of which are beneficial to supporting a corporation's housing development mandate. Without external Board members, a Board might lack this type of experience, which could be detrimental to the corporation achieving its development goals.

In addition, the independent Board with non-government representatives has the added benefit of helping the Board and the Corporation navigate potential situations where Board members from City or County government face a conflict of interest and are unable to vote on a decision in their capacity as director of the Corporation. Such a situation could arise where the interests of the Corporation and the applicable government are not aligned (e.g., corporate decisions that would create liabilities for the service manager/shareholder, such as a guarantee from the service manager/shareholder in support of financing for the Corporation). Where all Board members are councillors for the same government body, the entire Board could face a potential conflict of interest in certain situations. By diversifying the mix of Board members, the Corporation is better equipped to avoid such situations.

- c) **Shareholder/Corporation alignment:** Resounding feedback from the Project Team indicated that there is strong alignment between the mandate and strategic goals of the Corporation and the City as shareholder/service manager. Notwithstanding the Corporation's diverse Board of Directors with public representatives, the Project Team has confirmed that the Board is aligned with shareholder objectives and there is considerable trust between the City and the Corporation (via the Board).
- d) **Existing governance policies:** The Corporation also has a number of thorough "Governance Policies" providing guidance to the Corporation's Board of Directors, CEO and staff on governance matters. These policies are consistent with, or exceed, the standards of similar municipal housing corporations that were surveyed.
- e) **Service manager controls:** Under the Housing Services Act, 2011, the City, as service manager, has a number of approval controls over the Corporation which directly link to the achievement of the Corporation's strategic priorities. These controls include the approval of borrowing money, granting security, and selling or acquiring real estate. This approval is currently garnered through the provision of a business case by the Corporation to the City. This process has the benefit of ensuring that the Corporation's development plans align with the City's housing strategy, while also ensuring that the City has the opportunity to evaluate a project's risk profile before the Corporation (and City by extension) is committed.

#### ***Issues to address:***

- a) **Reinforcing Board member diversification:** As highlighted above, the Corporation has taken positive steps to broaden the range of skill sets and perspectives represented on its Board by requiring that six (6) of the Board's nine (9) members be representatives from the public. The Project Team indicated that Board recruitment efforts have been effective in ensuring that the Board includes a range of representatives from social housing stakeholders and/or individuals with different professional

expertise. Survey results from the Project Team, however, indicated an interest in slightly modifying the Board composition requirements to reinforce Board independence and achieve greater representation from the public.

First, 80% of Project Team survey respondents indicated that they believe that the Board should be required to include a representative that is a tenant currently living in the Corporation's housing portfolio. Tenant Board recruitment is contemplated in the Corporation's "Board Member Recruitment" and "Board Member Nomination and Election" policies where the policies require that Board vacancies be advertised in the Corporation's housing projects and provide a brief description of requisite qualifications for tenant Board members. While contemplated, a tenant representative is not required. In order to ensure tenant representation on the Board, the Corporation should consider dedicating two (2) of the six (6) public Board positions for a tenant currently living in the Corporation's housing stock; one (1) from the City of Kawartha Lakes and one (1) from the County of Haliburton.

**Recommendation #4:** Modify Board composition requirements to dedicate two (2) of the six (6) public Board positions for a tenant from the City and County. Establish unique criteria for these representatives (i.e. years of tenancy, past involvement in the community, etc.) and use that criteria when calling for nominations. The policy should specify that in filling the tenant representative Board positions, priority is given to tenant applicants, however, general City/County resident applicants may be considered where there are no interested or qualified tenant applicants. This is important to avoid a situation where a Board vacancy cannot be filled because there are no interested or qualified tenant applicants.

The current Board policy sets aside six positions for area residents, who may be local municipal councillors. The intent of this policy is to facilitate board diversity and to ensure a range of perspectives are available on the Board. To establish a diverse and skills-based Board to guide the Corporation, and to reduce potential conflicts of interest, best practice would suggest that mechanisms should be in place to ensure that the Corporation is actively reaching out to the public and social housing stakeholders for Board participation. That being said, we caution against any policy which would prohibit government representatives from filling the area-resident Board positions. A strict prohibition may result in situations where there are not enough interested or qualified applicants to fill these positions, so the Corporation could be faced with a difficult situation of being unable to fill Board vacancies. To balance these considerations, the Corporation's Board composition requirements should be modified to stipulate that priority for area resident Board positions is to be given to qualified individuals who are not City or County Council representatives.

**Recommendation #5:** Modify Board composition requirements so that priority be given to qualified individuals that are not City or County Council representatives when filling Board vacancies for the area-resident positions.

- b) Succession planning management: As noted above, the Corporation currently has a number of well thought-out policies documenting Board processes and governance considerations. At the same time, much of the Corporation's governance structure and, more specifically, the shareholder's expectations of the Corporation, are not documented and are based on an implicit understanding between relevant parties. While there is a common understanding between the current Board, CEO and the City, which may not always be the case as employees, directors and council members change over time. In the interest of preparing for succession planning and "future proofing" the Corporation, we believe that it would be beneficial to further document certain elements of the Corporation's governance model and

operations. A review of similar municipal housing corporations reveals that the sector is moving toward formalizing certain arrangements between the service manager/shareholder and the corporation to confirm each parties' respective roles and responsibilities. All of this has the added benefit of improving transparency and accountability, both of which are important considerations in the public or quasi-public sector. Sector practices support the creation of a purchased services agreement and shareholder direction, both of which are discussed below.

- c) Purchase services agreement: The Corporation's staffing and resources are provided by the City. Despite this, there is no formal written agreement stipulating the City's obligation to provide these services to the Corporation and under what terms. The Corporation's lack of a formal purchased services agreement is not uncommon in the sector; however, as similar housing corporations conduct governance reviews, they are implementing such agreements. Implementing a purchased services agreement will not necessarily impact the day-to-day operations of the City and the Corporation, but will assist with director and employee onboarding and succession planning by ensuring that all parties can refer to a document that details the services provided by the City to the Corporation.

There are no requirements for how specific the purchased services agreement needs to be. Different corporations have opted to proceed with varying degrees of detail. The benefit of a more detailed agreement is that it provides a clearer understanding of the City's obligations to the Corporation (i.e., service standards of employees, employee qualifications, types of services provided, etc.), and the way that costs are expected to be shared (how and when the Corporation is to reimburse the City). At a minimum, we recommend that the agreement address the following elements.

- That the City will provide physical office space for the Corporation.
- That the City will provide staffing to complete all functions of the Corporation's operations and retain external service providers on behalf of the Corporation, when necessary.
- That the Corporation is contracting services from the City and that City staff are not employees of the Corporation.
- That City (service manager) staff will be responsible for administering all housing programs and managing tenant relations.
- That the service manager will support the Corporation's Board meetings and corporate administration.
- The method of reconciling costs and expenses incurred by the City on behalf of the Corporation in providing the services under the purchased services agreement.

**Recommendation #6:** The Corporation should consider developing a purchased services agreement with the City to govern the provision of City staff and other resources to Corporation. Upon request, HSC can provide examples of purchased services agreements used by other municipal housing corporations.

- d) Shareholder direction: Nearly all surveyed municipal housing corporations are currently using a formal shareholder direction as a mechanism for the service manager/shareholder to communicate its expectations and requirements of the corporation on a broad range of topics. Generally speaking, the

directions issued by the surveyed corporations have the purpose of communicating to the recipient corporation (i) the shareholder's expectations of the Board of Directors, (ii) the relationship between the shareholder and the Board of Directors, (iii) the corporation's mandate, and (iv) any governance and operational requirements that the shareholder wishes to impose on the corporation. Implementing a shareholder direction would be consistent with sector practices.

Feedback from the Project Team indicated that the Corporation (or rather the City) has previously contemplated forming a shareholder direction. We understand that such a measure was never adopted in light of the existing strong relationship between the City and the Corporation. Much like with the purchased services agreement, the issuance of a shareholder direction should be viewed as a prudent "future proofing" mechanism that will better prepare the Corporation to manage succession planning and ensure that the Board is equipped to guide the Corporation in a manner consistent with its shareholder's vision.

As an initial step, the Corporation should consider developing a shareholder direction which articulates the current arrangements and understandings between the City and the Corporation. This process will ensure that all agreements, whether they be verbal or in writing, are captured in one document. Included within this initial shareholder direction should also be the Housing Services Act, 2011 requirements with regard to service manager approvals for the Corporation to borrow money, give security, and sell or acquire real estate. This will ensure that future board members understand that this critical control measure is in place.

**Recommendation #7:** In keeping with sector practices and in support of good governance and succession planning, the City (as shareholder) and Board should work together to establish some guiding principles on how both currently operate. These should form the basis of an initial shareholder direction which could be established in the short term. Key considerations to address in the direction are discussed in this report, and, upon request, HSC can provide examples of shareholder directions used by other municipal housing corporations.

**Recommendation #8:** The Corporation should update its existing governance policies, as necessary, to (i) reflect the recommendations of this report (i.e. updating Board composition policies), (ii) consolidate policies addressing the same content (i.e. Board recruitment and Board nomination/election) and (iii) ensure that there are no inconsistencies between existing policies and the City's shareholder direction (should one be issued).

## 4.3 Operations

### 4.3.1 Objectives

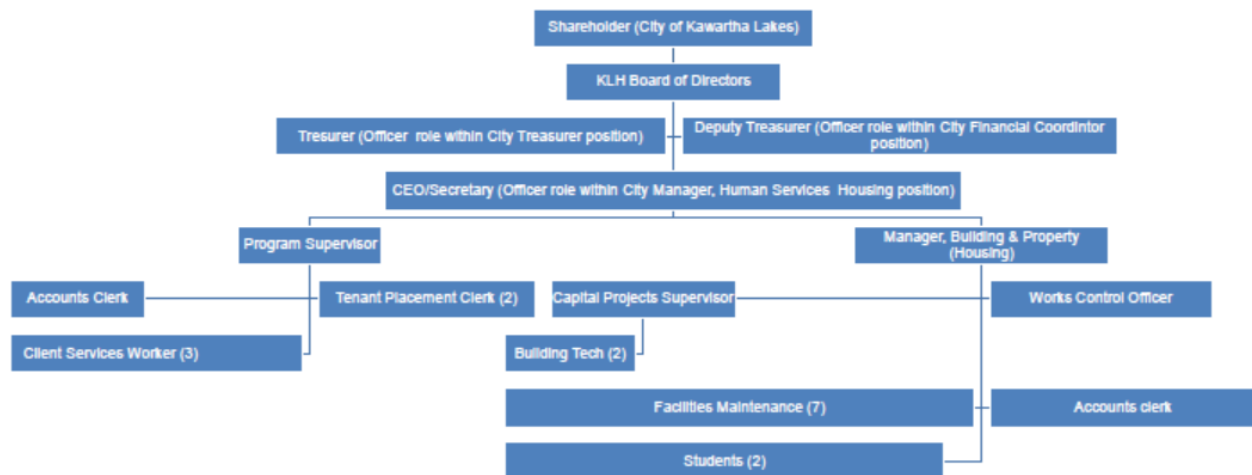
"Investing in Our People" is a strategic priority for the Corporation. This section reviews the operations of KLH Housing focusing on leadership and staff, with the primary objective of:

- a) ensuring the effective succession planning of leadership;
- b) providing information to support the creation of a Talent Management Plan; and
- a) supporting the professional development of the leadership team and senior staff roles.

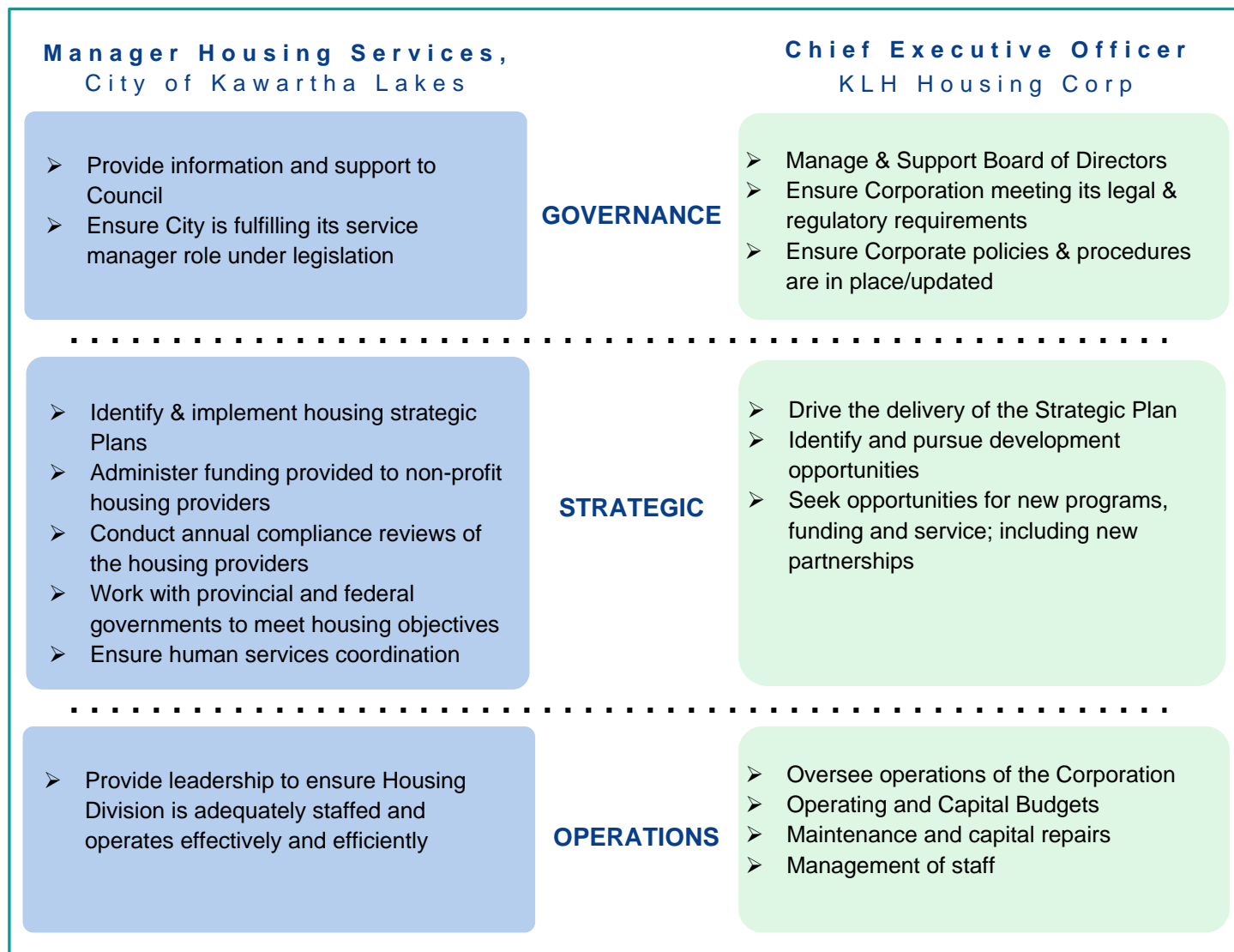
### 4.3.2 Current Operations

The operations of the Corporation are managed by the Chief Executive Officer (herein, “CEO”) and overseen by the Board of Directors. The CEO is responsible for the governance, strategic and operations of the Corporation. The CEO and staff that manage the activities of KLH Housing are employees of the City and are governed by the City’s human resources policies. Staff allocations are set and approved through the annual budget process. All staff positions have job descriptions which have been developed by the City and fall within the established job classifications and pay ranges. **Figure 5** below illustrates the current organizational structure of the Corporation.

**Figure 5: Current KLH Housing Organizational Chart**



The CEO position is a dual role, also serving as the Manager, Housing Services (herein, the “Housing Manager”) for the City. The portion of the role acting as the Manager, Housing Services does not report through this structure. This service manager role reports through to the Director, Human Services, City of Kawartha Lakes. The priorities and activities of each of the two roles is articulated in detail in **Figure 6**.

**Figure 6: Roles and Responsibilities of the Dual Housing Manager/CEO Role**

The current position of Housing Manager/CEO is immediately supported by the senior staff positions of Program Supervisor (City), Program Supervisor (Corporation) and Manager, Building & Property (Corporation).

### 4.3.3 Observations and Key Issues

The review of the operations of the Corporation included a review of the current structure, interviews with the staff currently reporting to the Housing Manager/CEO and the leadership to whom the current Housing Manager/CEO reports. HSC also considered additional models that exist in the Ontario housing sector and with comparable local housing corporations with strong development goals similar to those of KLH Housing. Through this review and in engagement with the Project Team, it is clear that the current relationship between the City and KLH Housing is functioning effectively. There is an overall feeling that the current operating structure works and there is a high degree of trust and understanding between all parties. Recognizing the value of these current relationships, the observations and recommendations are aimed at ensuring that structures are in place to best support and preserve that relationship as existing staff and Board members retire, and new staff and directors join the Corporation.

#### ***What is working?***

- a) **City/Corporate alignment:** The City and the Corporation have benefited from a strong strategic alignment that has been supported through the joint Housing Manager/CEO role. There is a collaborative relationship between the City and the Corporation which is of significant benefit to both parties; the Corporation benefits from having direct insight into the operations of the City, and the City benefits from having the Corporation act as the developer of choice to achieve its affordable housing goals.
- b) **Succession planning:** There is general stability in staff operations of the Corporation, with continuity in the leadership team and in other key organizational staff roles. There is an existing alignment between current staff roles at KLH Housing and the skillsets necessary to meet the Corporation's strategic priorities. Key staff have indicated an interest in expanding their roles and responsibilities over a one-to-three year timeline to better meet emerging corporate and sector trends.
- c) **Talent management:** The organization is well positioned with regard to talent management. The Corporation has experience in capacity building and sets sufficient time aside to devote to capacity building work. The leadership team has a clear sense of the organization's needs and future priorities. The Corporation has financial and human resources in place to implement and sustain the succession planning strategies that it identifies

#### ***Issues to address:***

- a) **Dual Housing Manager/CEO role:** As evidenced by Figure 6, the current dual role is very demanding, with a high number of significant and competing priorities. The role also lacks clarity, with the current incumbent wearing both a housing provider and service manager hat which can lead to confusion of roles within the City, at the Board and potentially with the public. The dual role faces a challenging workload and it is anticipated that in the future, both the Housing Manager and CEO roles will expand and take on additional work. In order to deliver on the Corporation's Strategic Plan, the CEO will have to be focused heavily on building partnerships, seeking funding and undertaking forward planning, all of which is necessary to deliver on the new development priorities. The CEO also must be entrepreneurial in mindset with regard to the potential to diversify business lines.

At the same time it is expected that the Housing Manager (City) role will also expand as new programs and funding becomes available, change are made to the Housing Services Act, 2011 and the current

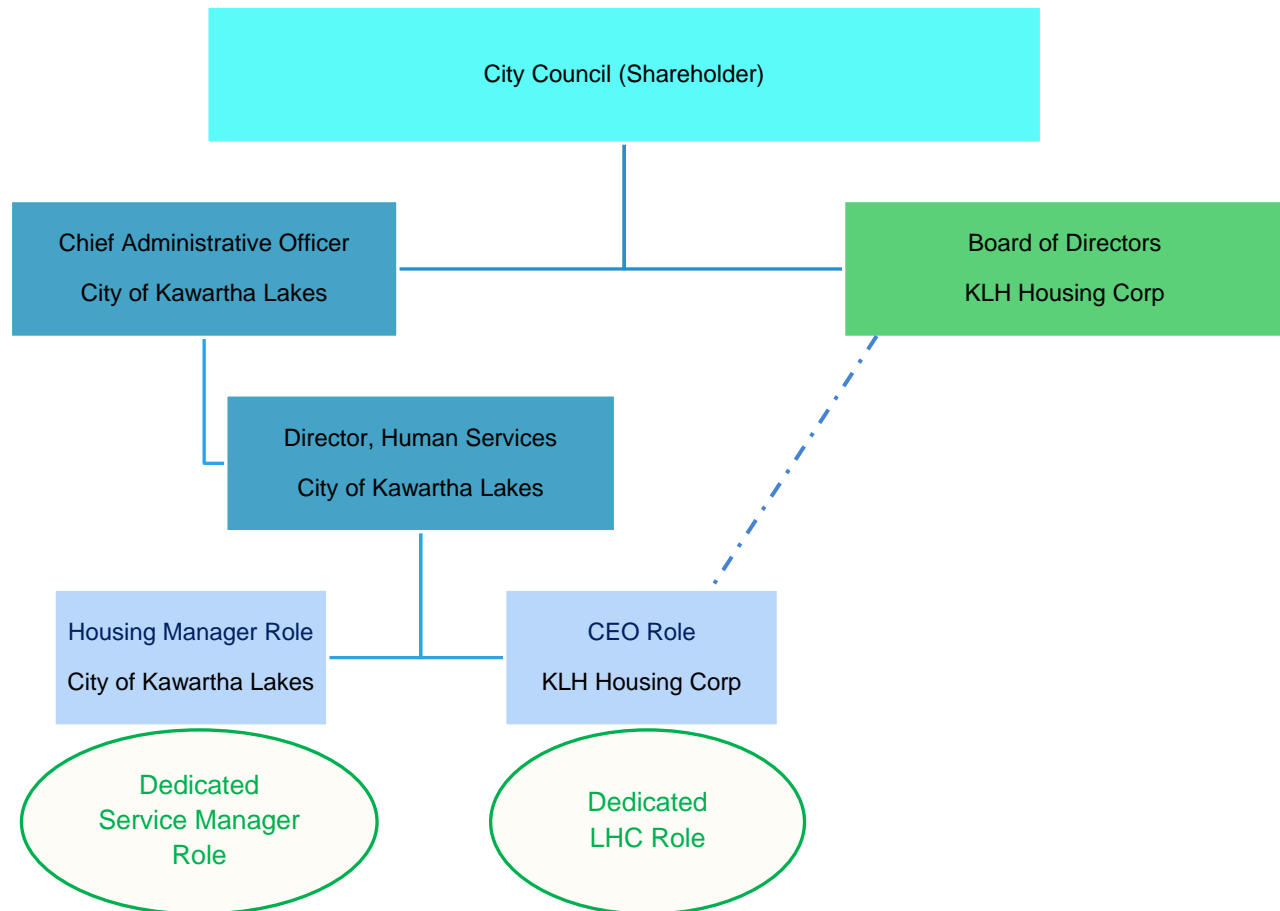
non-profit housing stock reaches expiry of operating agreements and mortgages. The City has established a number of Strategic Plans (the HHP, the Social Housing Master Plan and the Asset Management Plan), the five-to-ten year implementation of which is the responsibility of the Housing Manager.

There was recognition by the Project Team that the dual role has too much responsibility for one person and that this arrangement currently works effectively due only to the experience, expertise and competencies of the incumbent. It was agreed that it will be extremely challenging to find a new Housing Manager/CEO who can manage and maintain the dual role as effectively.

**Recommendation #9:** Split the CEO (KLH Housing) and Housing Manager (City) roles into two positions. Splitting the dual role respects the job demands, specialized skills, and complex and growing workload of both roles. Creating two distinct roles also allows for the hiring of a housing/homelessness professional with the required skillsets for the CEO role; including collaboration and partnership building, and focus on new development and entrepreneurialism.

A key element that was raised by the Project Team was ensuring that the current City/Corporation alignment of priorities, strategies and operations continues. This alignment of workload can continue through ensuring both roles work closely together as a team under the direction of the Director, Human Services. Housing York Inc. has a similar operating structure and have been able to ensure strong alignment between the housing corporation and the Region. All Housing York staff are regional staff and they work closely together as a team. There is a strong working relationship between the leads for the service manager and housing corporation roles, which is supported through a clear shareholder direction and purchase services agreement. It is recommended that KLH Housing adopt a similar model, as evidenced in **Figure 7**.



**Figure 7: Recommended Staff Structure\***

\* It should be noted that all staffing positions currently existing below the Housing Manager/CEO role as identified in Figure 5 would remain unchanged.

- b) Succession planning: As part of the review, HSC worked with the current CEO to undertake an “Organizational Contingency Inventory”. The purpose of this exercise was to understand the continuity of the leadership team, the stability of key organizational staff roles and to identify potential risks (position vacancies) anticipated in staff positions that could impact the Corporation’s abilities to achieve its priorities and operational activities. **Figure 8** provides a summary of the findings of this inventory exercise.

**Figure 8: Organizational Contingency Inventory – KLH Housing**

Fifteen Staff Positions (4 Senior Roles & 11 Operational Roles)						
Role Assessment Impact	# of Staff	Risk of Vacancy				Organizational Planning Needs
		High			Low	
<b>Vital</b>	1	1				Mandatory Succession Plan (formal contingency plan critical)
<b>Significant</b>	4				4	Formal Contingency Plan Strongly Recommended

As Figure 8 evidences, generally there is stability in the staff roles at the Corporation, however there are key critical roles that require attention immediately; specifically the CEO position which is “Vital” and will be vacated in May 2021. HSC’s findings suggest that while a formal succession plan has not been created, work is underway to plan for all of the anticipated vacancies.

**Recommendation #10:** The development of a fulsome CEO Transition Plan is essential to ensure business and leadership continuity. The retirement of the current CEO poses an opportunity to update the CEO job description to reflect any new roles or priorities. Through the new hiring process, identify key skillsets and work closely with human resources to ensure that these are included in the job posting. As part of the process, the City must work backwards with the job posting to ensure sufficient time for CEO transition (at least 2 months). It will be critical to consider if the position will be posted internally and externally and to consider how the successful candidate will be selected, and what role, if any the Board will play.

- c) **Talent Management Plan:** KLH Housing has indicated an interest in pursuing the development of a Talent Management Plan to ensure that the Corporation is able to have the appropriate skills and roles in place to support the achievement of the Strategic Plan over its 10-year time horizon. Key elements of a Talent Management Plan include ensuring that there is a match of skills to corporate priorities, developing strategies to invest in staff and establishing a feedback loop process to ensure that efforts are meeting both staff and corporate needs. As part of this review, HSC was to provide information to support the Corporation in creating this plan.

**Recommendation #11:** KLH Housing should proactively plan for future leadership changes through formalized leadership development planning. Leadership development should be a strategic goal for the Corporation, and should focus on the CEO and on the senior staff that

support the CEO role. There are opportunities to increase the responsibilities of the Program Supervisor and Manager, Buildings and Property to enhance their roles over a one-to-three year period to both provide additional support to the CEO role, and to support succession planning. The Corporation should assess and support readiness of staff to assume greater responsibility, and then establish individual training and professional development plans for all senior level staff to support their career growth. This will enable staff and the Corporation to be prepared to address new challenges and maximize new opportunities.

- d) Human resources understanding of housing operations: Generally, jobs in affordable housing are complex and require unique skills due to fact that these roles are client facing, and due to the unique needs of clients. All jobs within KLH Housing must interact with current and potential residents. Navigating interactions with clients in a positive manner often requires specialized skills; strong interpersonal and communication skills, the ability to problem solve and to diffuse difficult situations. KLH Housing hiring processes are governed by the City and, where these processes do not recognize the complexity of housing roles, may restrict the ability for the Corporation to adequately hire and manage staff. An understanding of the additional skills and the client-facing nature of the work is essential to create clear and succinct position descriptions that clarify work responsibilities, facilitate effective hiring and provide the foundation for performance discussions.

**Recommendation #12:** Time should be invested between human resources, KLH Housing and the City's Housing Services staff to increase the understanding of the unique nature of housing operations and the role that housing staff play in working directly with the complex needs of vulnerable residents. The City's human resources staff should be encouraged to consider ways to enhance the education or skills of particular positions to recognize the unique nature of housing positions, to ensure that hiring is consistent with the required education and skills. It is important for the Corporation to have input into position descriptions and job requirements to ensure that they reflect the unique requirements of housing.

## Concluding Observations

KLH Housing has established a very strong foundation from which to grow. HSC has undertaken a thorough review of the corporate structure, governance and operations and HSC commends the Board and staff of the Corporation for its efforts and focus on building a forward thinking organization. We also wish to thank the City, as the shareholder for KLH Housing, for enabling and supporting this review.

**Corporate Structure:** There are a range of corporate structures that exist in Ontario to support the local housing corporations. As was evidenced by the sector scan, the model currently used by KLH Housing and the City, which is a “quasi” or “hybrid” model, provides the right mix of independence and control. It allows the Corporation to continue to benefit from having a separate legal structure and independent Board, while sharing expertise, services and costs with the City. KLH Housing is currently structured in a way which allows it to meet all of its development, diversification and growth ambitions. It also benefits from a strong collaborative relationship with the City, which is mutually beneficial to meeting the overall goals of improving housing options for all local residents.

**Governance:** The Corporation’s existing governance model is operating successfully and HSC does not recommend any major changes to the model itself. In the “Governance” section of this report, HSC has identified certain areas for improvement, including reinforcing board member diversification and increasing the documentation with regard to current arrangements between the City and the Corporation. We believe that these modest changes will ensure that the Board continues to be equipped to guide the Corporation in achieving its strategic goals and will support the Corporation in as it plans for its future.

**Operations:** KLH Housing has set investing in its people as one of its core priorities. This focus on supporting staff to meet future challenges is apparent in the existing continuity of its current staff team. There is significant organizational stability which speaks to the positive and supportive culture that has been created at the Corporation. The Corporation is well positioned at this time to embark upon the creation of a formal Talent Management Plan, which enables staff to gain the necessary skills and experience to be part of succession planning and leadership development exercises.

KLH Housing benefits from an engaged and strategic Board which has set a clear mission and vision for the Corporation. It has become recognized as a credible and progressive partner and is building a self-sustaining business model which will ensure its financial viability over the long term.

Given this strength, the recommendations contained in this review are not intended to make significant changes to how KLH Housing is structured, governed or operated. Such types of changes are not necessary. Rather, the focus of the recommendations is to protect what is working well as the Corporation faces the first of what will be inevitable leadership and board turnover.

Now is the perfect time to establish processes and systems that will endure and extend beyond individuals that are currently in staff or director roles. The recommendations build on the effective foundation built over the years by the Board and staff, and ensure that the Corporation is well positioned for the future.



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# **The Corporation of the City of Kawartha Lakes**

## **By-law 2020-XXX**

### **A By-Law to Confirm the Proceedings of a Special Meeting of Council, Tuesday, December 15, 2020**

#### **Recitals**

1. The Municipal Act, 2001, S.O. 2001 c. 25 as amended, provides that the powers of a municipal corporation are exercised by its Council.
2. The Municipal Act, also provides that the Council's powers must be exercised by by-law.
3. For these reasons, the proceedings of the Council of The Corporation of the City of Kawartha Lakes at this meeting should be confirmed and adopted by by-law.

**Accordingly, the Council of The Corporation of the City of Kawartha Lakes enacts this By-law 2020-XXX.**

#### **Section 1.00: Confirmation**

- 1.01 The actions of the Council at the following meeting:

##### **Tuesday, December 15, 2020, Open Session, Special Council Meeting**

and each motion, resolution and other action passed or taken by the Council at that meeting is, except where prior approval of the Ontario Municipal Board is required, adopted, ratified and confirmed as if all such proceedings had been expressly embodied in this By-law.

- 1.02 The Mayor and the proper officials of the City are authorized and directed to do all things necessary to give effect to the actions of the Council referred to in Section 1.01 of this By-law. In addition, the Clerk is authorized and directed to affix the corporate seal to any documents which require it.

#### **Section 2.00: General**

- 2.01 This By-law shall come into force on the date it is finally passed.

By-law read a first, second and third time, and finally passed, this 15 day of December 2020.

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Andy Letham, Mayor

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Cathie Ritchie, City Clerk