



**CITY OF HAMILTON**  
**COMMUNITY & EMERGENCY SERVICES DEPARTMENT**  
**Housing Services Division**

<b>TO:</b>	Chair and Members Emergency & Community Services Committee
<b>COMMITTEE DATE:</b>	April 25, 2016
<b>SUBJECT/REPORT NO:</b>	Urban Native Homes Incorporation– Management Plan (CES16024) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Adam Sweedland 905-546-2424 Ext. 1782
<b>SUBMITTED BY:</b>	Dave Brodati Acting Director, Housing Services Community & Emergency Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Housing Services Division staff be directed and authorized to continue to provide support and assistance as required by the new Urban Native Homes' Board of Directors to ensure its immediate stability as a housing provider that provides housing and supports addressing the needs of the local Aboriginal community;
- (b) That Housing Services' Division staff be directed and authorized to request a proposal for services and/or a portfolio transfer plan from Ontario Aboriginal Housing Services for the consideration of the Service Manager;
- (c) That the General Manager of Community & Emergency Services be authorized and directed to approve and execute any agreements or other documents as may be required to give effect to Recommendations (a) and (b) of Report CES16024, in forms satisfactory to the City Solicitor; and,
- (d) That the General Manager of Community & Emergency Services be authorized and directed to reduce the subsidy payment to Urban Native Homes Inc. to offset any costs associated with Recommendations (a) and (b) of Report CES16024.

**EXECUTIVE SUMMARY**

Urban Native Homes Incorporated ("UNH") is a non-profit social housing provider that provides housing which is responsive and culturally sensitive to the Aboriginal community. UNH serves a diverse client base that also includes non-Aboriginal tenants and newcomers. In addition, UNH plays a role in homelessness prevention for the Aboriginal community and provides important housing related supports. Its portfolio includes approximately 250 units of housing and support services provided under

various programs funded by the City, the federal and provincial governments and other charitable organizations.

In 2015, a new Acting Executive Director raised two issues of particular concern for Housing Services Division staff.

Firstly, it was determined that UNH would be unable to submit its Annual Information Update to the City because it did not have the required audited financial statements. To date, UNH has been unable to complete its financial statements for its year-ending March 31, 2015.

Secondly, it was learned that UNH placed a private second mortgage against four of its social housing properties. These properties were subject to an operating agreement with Canada Mortgage and Housing Corporation and, as such, received federal and municipal subsidy and were subject to the provisions of the *Housing Services Act, 2011* (the “Act”). Mortgaging the properties without the Service Manager’s consent was a violation of the Act. To avoid default, the properties had to be sold. The families were accommodated elsewhere within UNH’s housing portfolio. However, this resulted in a reduction of the number of subsidized social housing units.

As a result of ongoing discussions with UNH management and the above-noted issues, Housing Services staff conducted an updated Operational Review in late January 2016 to determine whether or not UNH was capable of fulfilling its mandate as a housing provider under the Act. Before the Operational Review was finalized, two directors resigned and the Board no longer had quorum, meaning it could not effect corporate decision making.

While consulting with UNH management and other stakeholders, the City prepared to give notice to the Minister of Municipal Affairs and Housing that UNH had caused triggering events under the Act and that the Service Manager would exercise various remedies available under the Act. All the parties recognized the necessity of honouring and protecting the important role that UNH plays in providing housing and supports to the Aboriginal community.

UNH had contractual commitments that required the City to consider an interim course of action to return corporate decision making power to UNH quickly and protect it from liability or further problems due to corporate inaction. As a result of these time-sensitive matters, the City recruited and readied a new Board of Directors for UNH. Notice was given to the Province and UNH on April 4, 2016 that UNH met the definition of a “project-in-difficulty” under the Act and that the Service Manager would exercise its remedies to restore and preserve the housing assets of UNH. The first remedy was to appoint the new Board which met for the first time on April 6, 2016. The new Board was able to provide the corporate decision making to avoid further jeopardizing UNH’s operations or incurring liability.

A few weeks prior to giving notice, Housing Services' staff was engaged in a discussion with UNH management and Ontario Aboriginal Housing Services ("OAHS"). OAHS is a secured funder of UNH's property at 10-20 Kenilworth Avenue North. This property is not a social housing project that is subject to the Act.

OAHS is a well-respected and well-resourced organization with an exceptional level of experience in delivering safe and affordable housing to the urban and rural Aboriginal community, with a vision to lead the design, development and delivery of a sustainable and culturally appropriate continuum of housing. It also has a growing presence as a housing provider throughout Ontario, including Brantford, Haldimand-Norfolk, St. Catharines and London.

It became evident that OAHS might be capable of playing a larger role in the administration of the overall UNH portfolio. Accordingly, staff recommends that OAHS continue to be engaged about the services it can provide to UNH, including a discussion about assuming ownership and responsibility as a housing provider for the entire UNH portfolio.

In the interim, Housing Services' staff are committed to supporting the new Board of Directors to ensure that the 250 housing units and support services provided by UNH continue to be provided in a continuous, responsible manner that not only respects the needs of the Aboriginal community but causes no impact to the health, safety or enjoyment of its tenants.

***Alternatives for Consideration – See Page 11***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** There are no financial implications associated with the recommendations in Report CES16024. UNH currently receives approximately \$1.1M of municipal funding as part of the City's legislated obligations under the *Housing Services Act, 2011*. There may be some additional expenses incurred by the City relating to the appointment of an auditor and meeting expenses. It is expected that these expenses will be paid by UNH directly. However, if any expenses are incurred directly by the City on behalf of UNH, these can be offset by a reduction in the municipal subsidy to UNH which can be applied over a sufficient period of time such that there is minimal impact to UNH's cash flow and does not impair its day-to-day operations.

**Staffing:** Housing Services' Division staff is providing an increased level of support to the new UNH Board of Directors. At this time, this additional level of support can be accommodated within the existing staff complement.

**Legal:** Legal Services Division has provided ongoing support and guidance in this matter. They were involved in the preparation of the Notice to the Province, the completion of the Operational Review and the development of the

management plan. They will be consulted and involved in discussions around UNH board governance and longer term planning, including any further discussions or negotiations with OAHS.

## **HISTORICAL BACKGROUND**

Urban Native Homes Incorporated (UNH) is a non-profit social housing provider that provides housing that is responsive and culturally sensitive to the housing needs within the Aboriginal community. The organization serves a diverse client base that also includes non-Aboriginal tenants and newcomers. It plays an important role in Hamilton's social housing portfolio as one of only two providers in Hamilton with a specific mandate to serve the needs of the Aboriginal community in Hamilton. In addition, it plays a role in homelessness prevention in the Aboriginal community in Hamilton and provides important housing related supports.

UNH owns and operates four types of housing units. Social housing stock which is specifically subject to provisions of the *Housing Services Act, 2011* (the "Act") includes:

- 156 individual properties (units range in age from 70 to 100 years) containing 165 units funded through operating agreements with the Canada Mortgage and Housing Corporation (total 2015 subsidy is approximately \$2.1M of which approximately \$1.4M is provided by the federal government and \$700K is funded from the property tax levy); and
- *Kenatah* - 52 townhouse units (constructed in 1995) funded through the benchmarked subsidized program set out in the Act (total 2015 subsidy was approximately \$376K funded from the property tax levy).

UNH also provides the following housing which, in addition to receiving rent subsidy assistance, provides specific and important support services:

- *Koo gaa da win Manitou* - 25 apartment units for seniors (constructed in 2007) who receive rent supplements through the Strong Communities Program funded by the Province and administered by the City (total 2015 subsidy approximately \$132K); and
- *Odoro he>k ta>* - 8 units for single men (completed in 2012) receiving housing allowances through Investment in Affordable Housing (federal and provincial funds) and located above commercial/community space (total 2015 subsidy approximately \$19,200).

UNH receives approximately \$245K annual from the Hamilton Niagara Haldimand Brant Local Health Integration Network ("LHIN") for supports to the seniors in *Koo gaa da win Manitou*. It was also recently awarded annual funding of approximately \$114K until March 2019 through the Homelessness Partnering Strategy to provide social work support to the residents at *Odoro he>k ta>*.

Housing Services' Division staff conducts Operational Reviews of the City's social housing providers every three years. Operational Reviews are a tool to monitor compliance with legislative and policy requirements, as well as identify opportunities for organizational efficiencies and improvements.

An Operational Review was conducted on UNH in September 2013 and identified a number of directions for compliance and recommendations for improvements. A follow up letter was sent to the Board of Directors via the Executive Director and full compliance was requested by June, 2014. No response was received and attempts to follow up were unsuccessful.

In early 2015, a new Acting Executive Director took over UNH and began to make attempts to respond to the outstanding directions and recommendations, although at this point it had become difficult and in some cases, impossible, to provide a full response because of the time that had passed. However, two issues of particular concern were also raised by UNH management to the City in 2015. These are outlined below.

#### **Failure to submit an Annual Information Return**

The Act requires that housing providers submit an Annual Information Return within five months following their fiscal year end for their housing projects which are subject to the Act. UNH's fiscal year end is March 31. As a result of staff turnover, changes on the Board of Directors and a change in accounting software, UNH was unable to retain an accounting firm to complete its audited financial statement, which is required as part of the Annual Information Return submission. Accordingly, UNH failed to comply with this requirement, contravening subsection 80(1) of the Act.

#### **Failure to obtain Service Manager Approval and Ministerial Consent**

The Act requires that a housing provider obtain Service Manager approval and Ministerial Consent to mortgage social housing projects. In September 2014, UNH negotiated and authorized a private second mortgage against four of its social housing properties without the knowledge or approval of the Service Manager and without obtaining Ministerial Consent (which is a process administered by the Service Manager). The mortgaged social housing properties were subject to an operating agreement with the Canada Mortgage and Housing Corporation ("CMHC") and the second mortgage constituted a violation of that agreement. This is a contravention of subsection 162(2) of the Act.

In early 2015, cash flow problems alerted the Service Manager to problems and the unauthorized mortgage was discovered. The additional mortgage payment is not calculated into UNH's legislated subsidy from the Service Manager and, effectively, UNH did not have sufficient additional revenue available to cover this payment. This put UNH at risk of defaulting on the mortgages and left no alternative option but to sell these social housing units. The Service Manager worked with the Province and CMHC

to obtain the necessary permission for UNH to sell the properties and pay out the mortgages. The last property sold in late 2015.

The four properties collectively contained five units that were inhabited. All five families were able to be relocated and accommodated within UNH's remaining housing stock and their subsidies were not impacted. However, this has caused the City to lose five subsidized units of housing.

### **2016 Operational Review**

In January, 2016, the Acting Executive Director met with the City to review the impact of UNH's operational problems. The Acting Executive Director had taken appropriate and effective actions to mitigate some of the operational problems (e.g. tenant arrears, staffing issues) but it was evident that the City would likely now have to take purposeful action to stabilize and secure the long term success of the organization.

The Service Manager completed an updated Operational Review in February 2016 (attached as Appendix A to Report CES16024), to determine if, in the opinion of the Service Manager, UNH was able to fulfil its obligations as a social housing provider in accordance with the Act. The 2016 Operational Review confirmed that the culmination of the outstanding issues were likely to cause further hardship to the organization and render it unable to fulfil its obligations under the Act. Before the 2016 Operational Review was even finalized, two Board members resigned rendering the Board unable to achieve quorum and unable to effect organizational decision making.

While consulting with UNH and other stakeholders, the City prepared to give notice to the Minister of Municipal Affairs and Housing that UNH had caused triggering events under the Act and that the Service Manager would elect to exercise various remedies available under the Act. This decision involved a careful review of possible remedies and options, including the resources available and needed to implement an appropriate course of action.

Throughout all discussions and consultation, honouring and protecting the important role that UNH plays in providing housing and supports to the Aboriginal community was a central consideration.

Although staff had been investigating longer term options, UNH had contractual commitments that required the City to consider an interim course of action to return corporate decision making power to UNH and protected it from liability or further problems due to corporate inaction. Specifically:

- UNH was subject to an agreement of purchase and sale approved by its previous Board to sell its administrative offices (not part of its social housing stock) and scheduled to take place on April 8, 2016 – Board of Directors approval was required to authorize the execution of the closing documents;

- UNH's insurance package required Board approval for its renewal; and,
- CMHC mortgage renewals for three of UNH's single family homes required Board of Director approval before April 15, 2016 to avoid placing these mortgages into a potential default situation.

As a result of these time-sensitive matters, the City recruited and readied a new Board of Directors for UNH.

Under the Act, the Service Manager is required to give appropriate notice to the Province and the housing provider prior to exercising any of the available remedies required to address the time sensitive matters. On April 4, 2016, Housing Services' staff forwarded notice to the Province and UNH advising UNH has failed or is unable to comply with substantial obligations under the Act and, as a result, has caused a number of triggering events under section 83 of the Act. The Service Manager specifically elected to:

- Exercise some of the powers and perform some of the duties of the housing provider under the Act;
- Remove the remaining directors of the housing providers; and,
- Appoint new individuals to be directors for the purpose of stabilizing the corporate integrity of UNH.

All other remedies remain available and may be exercised by the Service Manager as may be necessary.

This Notice to the Province gave effect to the Board changes and the first meeting of the new Board of Directors was held on April 6, 2016 and approvals for the time sensitive matters were authorized, thereby avoiding further liability for UNH and enabling it to act as a stable and effective corporate entity.

Housing Services' staff is currently working with UNH to retain a qualified accountant to complete the necessary audited year-end financial statements.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

### *Housing Services Act, 2011*

The *Housing Services Act, 2011* sets out the conditions on which the Service Manager may exercise its remedies as relating to a housing provider who contravenes the Act. It also sets out the appropriate manner in which to provide notice to the Province and the housing provider.

The Act authorizes a Service Manager to exercise any of the powers or perform any of the duties of a Housing Provider under the Act, and provides a range of management assistance options for a Service Manager. It gives Service Managers the flexibility to

select the measures that will most efficiently resolve difficulties encountered by a Housing Provider.

## **RELEVANT CONSULTATION**

### Urban Native Homes Inc.

Housing Services' Division staff consulted extensively with UNH Management and staff to understand the issues and consider suggestions for addressing the outstanding challenges. In addition, Housing Services' staff met with all of the UNH staff to update them and address their questions and concerns.

UNH's corporate solicitor was also involved extensively with the development of the Management Plan.

### Aboriginal Community

Housing Services' staff consulted confidentially with members of the local Aboriginal community drawn from community partners. Specifically, staff sought advice on recruiting and establishing a new Board of Directors, some of the challenges staff were working through and the best possible way to ensure that the Aboriginal community is honoured and respected throughout the process. Staff has followed this advice whenever possible and will continue to do so in working with the new Board of Directors.

Although the interim Board of Directors does include non-Aboriginal members, the Chair is a member of the Aboriginal Community and another member has been brought onto the Board to act as an Aboriginal Advisor.

### Communications & Government Relations Division

Staff from the Communications and Government Relations Division were consulted.

### Legal Services Division

Housing Services' Division staff worked with Legal Services Division staff throughout the development of the Management Plan. Legal Services' staff ensured that legislative requirements of the Act were addressed in the notice to the Province and continues to be involved in the implementation of the Management Plan.

### Ministry of Municipal Affairs and Housing

Staff from the Ministry of Municipal Affairs and Housing were involved in the discussions leading up to the notice and have been regularly updated and apprised of the situation with UNH and the Service Manager's proposal to protect the housing assets.

Ontario Aboriginal Housing Services

Ontario Aboriginal Housing Services (“OAHS”) staff has met with Housing Services’ staff and UNH Management on several occasions. OAHS provided approximately \$1.3M of funding for the project at 10-20 Kenilworth Avenue North and holds security against that property. OAHS is a well-respected and well-resourced organization with an exceptional level of experience in delivering housing and support services to the Aboriginal community throughout Ontario.

**ANALYSIS AND RATIONAL FOR RECOMMENDATION**

Management Plan – Short Term

Housing Services’ staff, in consultation with UNH management, the Ministry of Municipal Affairs and Housing, Legal Services and members of the Aboriginal community have effectively implemented a management plan (“Management Plan”) with short-term objectives for UNH which includes:

- Establishing an entirely new Board of Directors with members
  - some of whom chosen from the Aboriginal community
  - with substantial social housing experience; and
  - with substantial financial management experience.
- Working with the new Board to appoint an auditor for UNH.

The Management Plan is intended to immediately stabilize the governance of Urban Native Homes Inc. (“UNH”) to allow it to:

- facilitate and support the day-to-day operations of UNH such that its assets, including its Housing Projects, may be managed in a commercially responsible manner and the impacts on tenants and existing staff of UNH are minimized;
- fulfil existing contractual obligations and other routine board functions;
- prevent further liability resulting from corporate inaction; and
- facilitate strategic longer term planning to preserve and sustain UNH’s important housing assets and support services.

At its inaugural meeting on April 6, 2016, the new Board of Directors effectively protected UNH from liability or further problems due to corporate inaction by:

- authorizing the completion of an agreement of purchase and sale approved its previous Board to sell its administrative offices;
- authorizing the renewal of UNH’s insurance package; and,
- authorizing CMHC mortgage renewals for three of UNH’s single family homes requiring Board of Director approval before April 15, 2016 to avoid placing these mortgages into a potential default situation.

The Service Manager, through Housing Services Division staff, will continue to provide an enhanced level of support and assistance to the new Board of Directors and UNH management to ensure that UNH is able to fulfil its mandate and obligations as a housing provider under the Act.

#### Management Plan – Long Term

UNH management initiated a discussion between Housing Services' staff and Ontario Aboriginal Housing Services ("OAHS") about its ability to potentially play a role in the administration of the UNH portfolio.

OAHS was incorporated in 1994 following the recommendations of a steering committee comprised of members of organizations that served the housing needs for First Nations, Métis and Inuit People not living on reserve lands and the then Ministry of Housing. It has a mandate to provide safe and affordable housing to the urban and rural Aboriginal community with a vision to lead the design, development and delivery of a sustainable and culturally appropriate continuum of housing that promotes excellence in the community and organization infrastructures. It has a growing presence as a housing provider throughout Ontario, including Brantford, Haldimand-Norfolk, St. Catharines and London.

OAHS is a well-respected and well-resourced organization with an exceptional level of experience in delivering housing and support services to the Aboriginal community throughout Ontario. It is well positioned to achieve improved economies of scale and make strategic and informed investments and decisions that can help address the capital repair pressures that impact UNH's aging housing stock. Preliminary discussions a role for OAHS with staff from the Ministry of Municipal Affairs and Housing were highly positive, suggesting there could be provincial support for an increased role for OAHS in the delivery of UNH's portfolio in Hamilton.

In addition, OAHS is also invested in UNH's mandate and housing portfolio as a secured funder of UNH's Odrowahegong men's residence and the building in which it is situated at 10-20 Kenilworth Avenue North.

Staff are recommending that OAHS be invited to submit a proposal which addresses (a) property management services for UNH and/or (b) a transfer of the entire housing portfolio of UNH, including the assumption of any contractual obligations and contingent liabilities, for the consideration of the Service Manager, the UNH Board of Directors and the Minister of Municipal Affairs and Housing. It is recommended that the local Aboriginal community be consulted as part of the consideration of any such proposal.

## **ALTERNATIVES FOR CONSIDERATION**

### **Alternative #1 - Return full responsibility for Urban Native Homes to an independent Board of Directors**

Urban Native Homes Inc. could be returned entirely to the control of an independent Board of Directors, subject to the provision of the *Housing Services Act, 2011*. UNH operates a particularly important portfolio within Hamilton's overall social housing stock. The challenges and history of UNH will require strong leadership, additional resources and strategic board governance to successfully return UNH to a self-sufficient and fully autonomous housing provider. There are increasing pressures making it difficult to build long term leadership capacity in the social housing sector, particularly for small-medium sized housing providers that rely on volunteer board members.

The short term aspect of the Management Plan is a good first step in developing leadership capacity for UNH that may enable it to return successfully to an independent organization. Despite this first step, UNH will continue to suffer from the shortfall of resources need to better address capital needs, as is the case with most social housing providers. In light of the promising recommendation to consider a transfer to OAHS, an organization with the capacity and resources to handle the UNH portfolio, this alternative is not recommended by staff at this time.

### **Alternative #2 - Retain another Housing Provider to act in the place of the Urban Natives Homes' Board**

The Act permits the Service Manager to retain the services of another housing provider or property management company to provide the Board's functions. Similar actions have been taken in the past in Hamilton and it has been a successful approach. However, UNH is one of two housing providers in Hamilton that provide culturally appropriate housing and supports primarily to the Aboriginal community. The challenges and history of UNH also require a board with a high level of experience with a diverse housing portfolio, supportive housing services and capital planning background. There are a few large housing providers in Hamilton that have the necessary capacity to play this role but this alternative is not being recommended as it would not be consistent with the Service Manager's commitment to honour and respect the cultural needs and sensitivities of the Aboriginal community.

## **ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN**

### **Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

**Strategic Objective**

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.
- 2.2 Improve the City's approach to engaging and informing citizens and stakeholders.

**Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in*

**APPENDICES AND SCHEDULES ATTACHED**

Appendix A to Report CES16024:           2016 Operational Review of Urban Native Homes Inc.