



Regent Park – New Subsidiary Corporation

Item 2E

March 31, 2021

Governance, Communications and Human Resources Committee

Report: GCHRC:2021-09

To: Governance, Communications and Human Resources Committee (“GCHRC”)

From: Chief Development Officer (“CDO”) and General Counsel and Corporate Secretary

Date: February 22, 2021

PURPOSE:

The purpose of this report is to seek approval for the creation of a subsidiary corporation with a mandate to enter into partnership with a subsidiary of Tridel Builders Inc. (“Tridel”), which partnership will undertake the development, financing and construction of the market condominium buildings in Phases 4-5 of Regent Park and related planning, development and community engagement activities. In addition, this report seeks approval of director appointments and representatives to the Board of Regent Park 2 Development Corporation.

RECOMMENDATIONS:

It is recommended that the Governance, Communications and Human Resources Committee approve and forward to the Board of Directors for approval the following:

1. The incorporation of Regent Park 2 Development Corporation, and approve the appointment of Vincent Tong and Rose-Ann Lee as the two TCHC representatives on the Board of Regent Park 2 Development Corporation;

2. Appoint the Chair of the Building Investment, Finance and Audit Committee (“BIFAC”) or their nominee who is also a member of the Board of TCHC as a Director and Chair of Regent Park 2 Development Corporation; and
3. Authorize the President and Chief Executive Officer and the General Counsel and Corporate Secretary to take all necessary actions and execute all documents and resolutions as required to implement the above recommendations.

REASONS FOR RECOMMENDATIONS:

Incorporation of Regent Park 2 Development Corporation:

In 2003 the Board of Directors (the “Board”) authorized the incorporation of Toronto Community Housing’s (“TCHC”) wholly owned subsidiary Regent Park Development Corporation (“RPDC”) (TCHC:2003-030) in conjunction with the approval to proceed with the redevelopment of Regent Park. To date, RPDC has overseen the redevelopment of Regent Park and related planning, development and community engagement activities for Phases 1-3 in collaboration with its developer partner, The Daniels Corporation. RPDC will continue to operate for some years as two market blocks within Regent Park Phases 1 and 3 respectively remain to be developed.

In 2020 through a public procurement process to select a developer partner for Phases 4 and 5 of Regent Park, Tridel was approved by the Board at its December 15, 2020 meeting to enter into a joint venture with TCHC for such phases (TCHC:2020-89). As such, a new wholly owned subsidiary of TCHC is required to enter into agreements with its new developer partner and to oversee the construction of the market blocks within Phases 4-5 of Regent Park.

The subsidiary must carry out a complex variety of tasks. These include determining the phasing, securing commitments with a separate Tridel subsidiary for construction of the market blocks, securing financing of the market blocks, securing necessary planning approvals, marketing the condominium units in the market blocks and strategically managing a wide

variety of financial considerations. Several key capabilities have been identified for the redevelopment subsidiary. These include:

- A capacity to maintain momentum around a clear and broad vision of a transformed Regent Park and for Phases 4 and 5.
- A capacity to manage strategically and actively the construction and marketing of the market buildings and to work with TCHC as it redevelops its rental buildings so as to ensure consistency with an overall vision, to maximize the value of this public asset and to ensure that TCHC derives its appropriate share of value enhancement consistent with its own financial requirements.
- A capacity to identify a wide variety of resources needed in the community-building process from economic and employment development to cultural and community services, and attract these resources to the emerging neighbourhood.
- A capacity to balance the pursuit of its own policy objectives with a need for entrepreneurship and the capacity to engage in a variety of development partnerships.

Under the *Ontario Business Corporations Act* (“OBCA”), TCHC’s Board has authority to incorporate subsidiary corporations. Sections 4.2 and 4.3 of the Shareholder Direction between TCHC and the City of Toronto permits TCHC to create subsidiaries and invest in joint ventures, from time to time, to carry out its business activities and meet its mandate. The ongoing governance and reporting requirements of the subsidiaries and joint ventures must comply with the Shareholder Direction. The Regent Park revitalization falls within TCHC’s mandate in the Shareholder Direction to develop new affordable and subsidized rental housing, including the revitalization and redevelopment of its lands and buildings (section 4.1(b) of the Shareholder Direction).

Reason for Incorporating a Subsidiary

A two level (parent and subsidiary) corporate structure is required in development projects in order that TCHC not be liable for construction financing or construction liens and to prevent recourse being available against TCHC assets for claims arising from the project. Accordingly, it is industry best practice to incorporate a subsidiary for each construction project.

Appointment to RPDC2 Board:

It is recommended that Vincent Tong and Rose-Ann Lee, together with the BIFAC Chair or their nominee who is also a member of the Board, be appointed as Directors of Regent Park 2 Development Corporation. According to section 4.2 of the Shareholder Direction, the following requirements are established, which will be satisfied by the foregoing appointments:

- 4.2.3 TCHC will appoint the Directors of the Subsidiaries from among the directors and officers of TCHC or establish and follow a process for the nomination and appointment of the Directors that is approved by the Shareholder.
- 4.2.4 Members of the Board or officers of TCHC shall comprise a majority of the Board of Directors of any Subsidiary.
- 4.2.5 The Chair and Vice Chair of the Board of Directors of any Subsidiary shall be a member of the Board of TCHC.

IMPLICATIONS AND RISKS:

TCHC has both the authority and ability to establish subsidiaries and joint ventures under the OBCA and the Shareholder Direction. Following approval of the subsidiary by the GCHRC and the TCHC Board, TCHC will consult with the City Manager's Office of the creation of the RPDC2 subsidiary and notify the City Manager's Office with respect to the creation of the joint venture with Tridel, pursuant to Section 4.2 and 4.3 of the Shareholder Direction, respectively.

In the event TCHC does not incorporate a subsidiary to enter into this joint venture, TCHC itself will be the partner under the partnership agreement with the Tridel subsidiary. In such capacity, TCHC would be required to assume liability for the construction financing and would be the beneficial owner of the property, thereby making it liable for any construction liens or other claims with respect to the project. As well, TCHC as partner would have unlimited joint and several liability with the Tridel subsidiary for all partnership debts.

LEGAL IMPLICATIONS:

Outside counsel will be retained by the proposed redevelopment subsidiary for the purposes of clearing any title issues, completing any real estate transactions and dealing with all aspects of the redevelopment such as agreements with the City, developers, utilities, etc. Legal costs are included in the total budget for predevelopment work.

TCHC's Legal Services Unit will incorporate the redevelopment subsidiary on instructions from the TCHC Board to proceed in such fashion and confirmation from the City Manager's office and ensure that any Shareholder Direction will be in accordance TCHC Board policy. Legal Services will also deal with all legal aspects related to Regent Park tenants and any relocation that may be required as a result of redevelopment.

SIGNATURE:

"Vincent Tong"

Vincent Tong
Chief Development Officer

"Darragh Meagher"

Darragh Meagher
General Counsel and Corporate Secretary

ATTACHMENT:

1. Existing Regent Park Subsidiary Structure
2. Regent Park Phase 4-5 Map

STAFF CONTACTS:

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437-855-4117

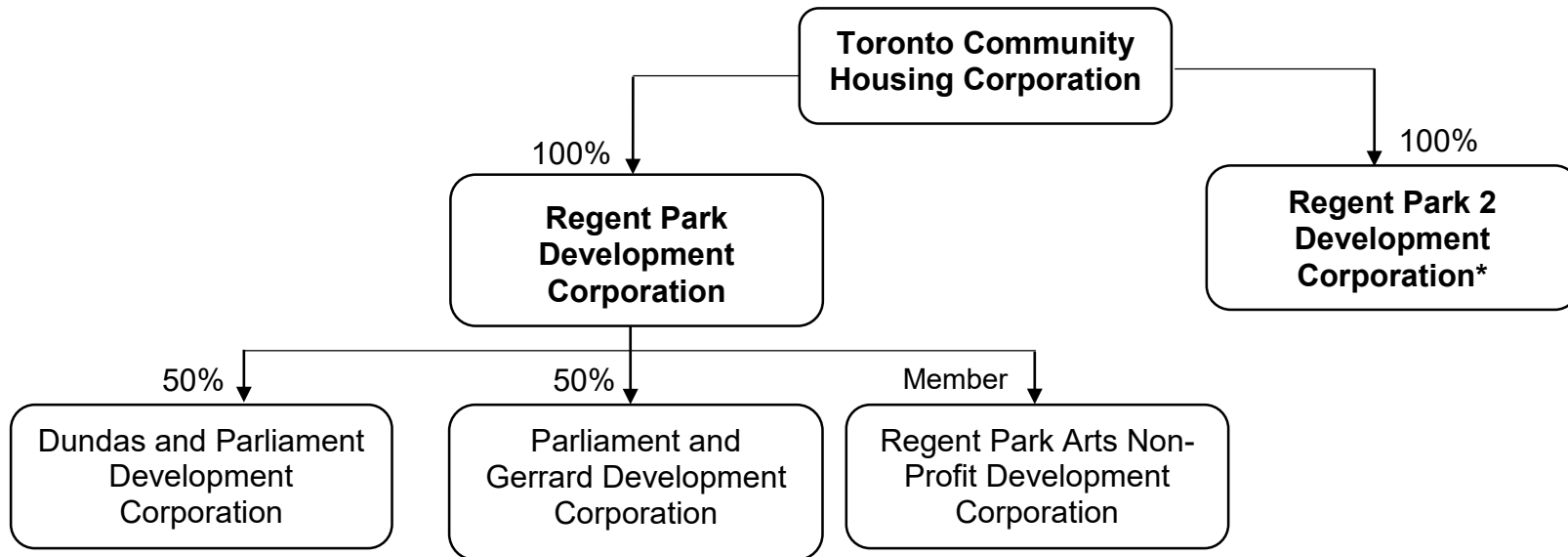
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Marilyn Lee, Senior Legal Counsel

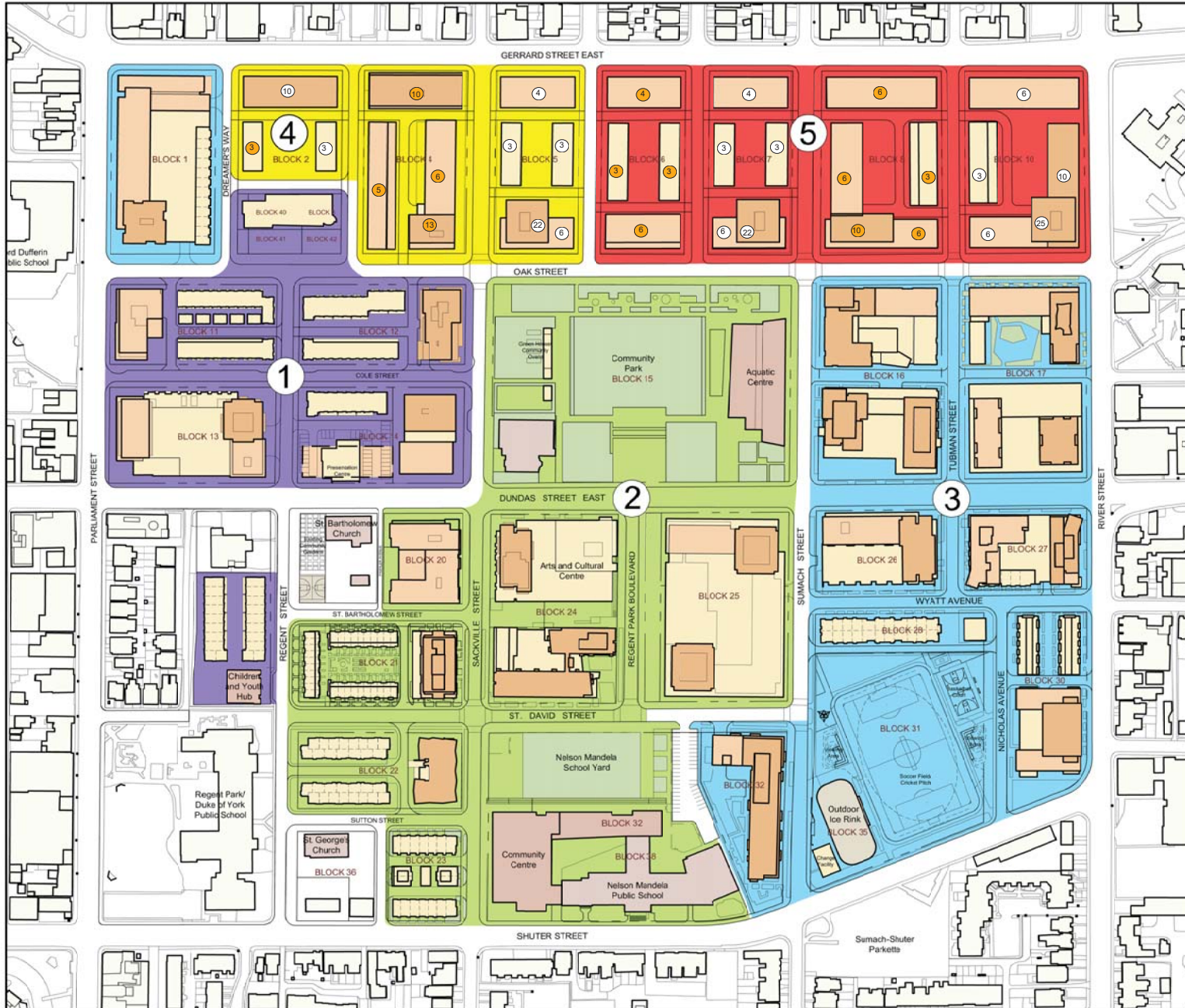
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Attachment 1: Proposed Regent Park Subsidiary Structure



*There will be a nominee title holder 50% owned by TCHC and 50% owned by the Tridel entity, which will not require consultation with the City as the ownership is 50/50. The nominee will be incorporated at the time of the first land sale.



- PHASE 1 ■
 - PHASE 2 ■
 - PHASE 3 ■
 - PHASE 4 ■
 - PHASE 5 ■
- TCHC Building
 - Market Building

REGENT PARK
 TARGET PHASING PLAN
 SCALE 1:2500

REGENT PARK REVITALIZATION PROJECT
 DIAMOND SCHMITT ARCHITECTS
 AUGUST 15, 2016