



Report of the General Manager and Chief Financial Officer

Housing York Inc. 2020 Budget

Recommendation

The Board of Directors approve Housing York Inc.'s 2020 Budget as summarized in Attachment 1.

Summary

This report seeks the Board's approval of Housing York Inc.'s (HYI) 2020 Budget as summarized in Attachment 1.

Background

The Board approved a new long-term fiscal plan for Housing York Inc.

In [November 2017](#), the Board of Directors approved a new long-term fiscal plan for HYI. The fiscal plan was developed to ensure HYI remains fiscally responsible, safeguards its assets and is accountable for effectively managing its resources. The fiscal plan includes a reserve strategy that sets goals and objectives for HYI's reserves, a new Operating Surplus Policy that establishes a framework for the allocation of operating surpluses and an updated Investment Policy to ensure prudent management of HYI's working capital and reserves.

Regional funding and staffing in HYI's budget were included in the Community and Health Services budget as presented to Committee of the Whole on December 5, 2019. The HYI budget is subject to final approval of the Region's budget.

Analysis

The 2020 budget supports implementation of Housing York Inc.'s 2017 to 2020 Plan

The budget enables HYI to implement strategic directions, manage increasing service demands and maintain existing service levels. In November 2016, the Board approved HYI's 2017 to 2020 Plan, [Achieving New Heights Through Innovation and Sustainability](#). The Plan identified five strategic directions and a broad range of supporting actions. Substantial progress has been made in all areas, as reported through project specific reports to the Board and the annual reports. Highlights include:

- Development of [Resident Inclusion Plan](#)
- [Implementation of a Long-Term Fiscal Strategy](#)

- Approval of the [Portfolio Management Plan](#)
- Creation of [HYI's Mission and Vision](#) statements
- Informing development of the Region's [Income and Asset Limit Policy](#)

The most important remaining action is to develop HYI's next four year plan. A proposed approach to renewing the plan will be presented for the Board's consideration early in 2020.

HYI's 2020 budget summary is presented in Table 1.

Table 1
HYI 2020 Budget Summary

	2019 Budget (\$000)	2020 Budget (\$000)	Budget Variance	
			(\$000)	(%)
Revenue				
Market rent	7,661	8,474	813	10.6%
Subsidized rent	13,380	14,407	1,027	7.7%
Non-rental revenue	1,192	1,222	30	2.5%
Regional subsidies	17,718	17,187	(531)	-3.0%
Total revenue	39,951	41,290	1,339	3.4%
Expenditures				
Salaries and benefits	7,047	7,742	695	9.9%
Administration	1,753	1,764	11	0.6%
Facilities	5,402	5,539	137	2.5%
Utilities	3,965	4,065	100	2.5%
Property taxes	3,516	3,426	(90)	-2.6%
Mortgage/debentures	9,024	9,351	327	3.6%
Mandatory contributions to reserve	8,763	8,545	(218)	-2.5%
Total Expenditures	39,470	40,432	962	2.4%
Operating surplus before contributions	481	858	377	78.4%
Contribution to reserves	481	858	377	78.4%
Net surplus/(deficit)	0	0	0	0.0%

Housing York Inc. continues to grow with the addition of Woodbridge Lane

Completed in late 2019, York Region developed an affordable housing site located on Woodbridge Avenue in the City of Vaughan. The new 162 unit affordable housing building replaced a 32 unit seniors building and a 14 unit family building that required extensive capital investment. The six storey building includes one, two, three and four bedroom units, including some that are accessible, for seniors, singles, couples and families with a mix of incomes. It offers a street-front commercial or community space and incorporates sustainable, green building practices and features that consider the natural environment.

The 2020 budget assumes a full year of operating costs and ten months of rental revenue to account for the time it takes to fully rent-up the building. Woodbridge Lane is financially sustainable and requires no operating or capital subsidies from the Region.

Financial Considerations

Housing York Inc.'s revenue increases are driven by additional rental income from the Woodbridge Lane property

Total revenue is projected to be \$41.3 million in 2020. Rental revenue from residents make up more than half of total revenue, with the remainder coming from Regional subsidies and a small portion from non-rental revenue. Regional subsidies for capital have no impact on HYI's operating surplus as they are expensed as a mandatory contribution to reserves.

- Market rent is projected to increase by \$813,000 or 10.6%. This increase is due to the market units being occupied at Woodbridge Lane for ten months and 2020 rental payments for the existing market units increasing by 2.2% based on the *Ontario Rent Increase Guideline*.
- Rent for subsidized units is projected to increase by \$1 million or 7.7%. This is mostly attributed to the subsidized rental units at Woodbridge Lane being occupied for ten months of the year. Two months of occupancy loss has been allocated in 2020 to align with expected move-in dates. This increase is also related to higher incomes of current and new residents for existing housing units.
- Non-rental revenue is projected to increase by \$30,000 or 2.5%, due to several factors including a full year of laundry and parking revenue estimated to be generated from Woodbridge Lane.
- Regional subsidies are projected to decrease by \$531,000 or -3% largely due to:
 - Decrease of \$500,000 in subsidies in the emergency housing portfolio. The 2019 budget included a one-time \$500,000 capital contribution to the emergency housing reserve
 - Decrease of \$114,000 in rent subsidies due to higher incomes of current residents. Rent subsidy is the difference between what the resident can afford to pay and market rent
 - An inflationary increase of \$83,000 in the Public Housing portfolio

Housing York Inc.'s increase in expenditures is driven by the addition of the Woodbridge Lane property

Total expenditures are projected to increase by \$962,000 or 2.4% over 2019. The main drivers are:

- Salaries and benefits are projected to increase by \$695,000 or 9.9%. The 2019 budget included 50% of the salary costs relating to the 3.5 new full-time equivalent positions hired in 2019. The 2020 budget includes the full salary costs of these positions. In addition, the 2020 budget includes 50% of the 3.0 new full-time equivalent positions that will be hired in 2020 to enhance HYI's preventative and responsive maintenance programs. The budget also includes standard salary increases for non-union and union employees, as per collective agreements.
- Facility expenses are projected to increase by \$137,000 or 2.5%. This increase is directly related to Woodbridge Lane. The 2020 budget includes a full year of facility expenses for

this property, including 1.5 full-time equivalent positions to provide building superintendent services.

- Utilities are projected to increase by \$100,000 or 2.5%. Utility costs for the existing housing stock are projected to decrease by \$75,000 to reflect a budget adjustment that was made to bring projected costs more in line with actual costs. This decrease is offset by a \$175,000 increase in utility costs associated with Woodbridge Lane (as this new building will be fully operational in 2020). The 2020 budget includes a full year of utility costs for this property.
- Property taxes are projected to decrease by \$90,000 or -2.6%. The 2020 budget was adjusted downward by \$214,000 to reflect lower than anticipated municipal tax rates in 2019. This decrease is offset by the expected property tax increase of \$125,000 due to a full year of property taxes for Woodbridge Lane being included in the 2020 budget.
- Mortgage/debenture payments are projected to increase by \$327,000 or 3.6%. This increase is mostly due a full year of debenture costs for Woodbridge Lane being included in the 2020 budget.
- Budgeted contributions to capital reserves are projected to decrease by \$218,000 or -2.5% due to the following:
 - A decrease of \$500,000 in reserve contributions in the emergency housing portfolio. The 2019 budget included a one-time \$500,000 capital contribution to the emergency housing reserve.
 - An increase of \$216,000 in reserve contributions in the Regional housing portfolio. This increase is directly related to Woodbridge Lane being operational for the full year.
 - An inflationary increase of \$66,000 in the Public Housing and Provincial Reform portfolios (the buildings constructed 1968 to 1981 and 1987 to 1996 respectively).

Housing York Inc. is committed to keeping its assets in a good state of repair

HYI plans to invest \$9.6 million in capital design, repairs and upgrades during 2020. A significant amount of the expenditures will go towards site improvements (fire routes, sidewalks and curbs), roof system replacements, balcony slab and railing restorations and replacement of mechanical systems. An amount of \$410,000 in the 2020 capital budget is dedicated towards design of projects for 2021.

This significant investment would confirm HYI's commitment to provide residents with access to affordable housing units that are well maintained.

Energy Conservation Initiatives

In [November 2019](#), HYI Board of Directors approved the *Energy and Utilities Management Plan (EUMP)*. The EUMP is a five year plan, which includes approximately seven projects per year. The energy conservation projects will achieve reductions in energy consumption, operating costs and greenhouse gas emissions across HYI's building portfolio by installing proven technologies with a payback of eight years or less.

In 2020, a request of \$475,000 is budgeted for these initiatives from the Strategic Initiatives Reserve which was established to fund strategic priorities such as energy conservation initiatives. All incentives paid by third party funders will be applied directly to the Strategic Initiatives Reserve.

Any operating savings will be used to fund other operating pressures or to increase the annual surplus.

Operating surplus allocated to reserves

The projected operating surplus of \$858,000 will be allocated to the reserves according to the Operating Surplus Policy to support long-term sustainability. A breakdown of the projected reserve balances at the end of 2020 is provided in Attachment 1.

Local Impact

HYI operates 36 housing properties in all nine municipalities housing over 4,000 residents. The 2020 budget gives HYI the fiscal stability and sustainability it needs to continue to provide quality affordable housing to York Region residents.

Conclusion

Overall, the proposed 2020 budget reflects an \$858,000 operating surplus and a \$9.6 million investment in capital projects. The operating surplus, if realized, will be allocated in accordance with the Operating Surplus Policy to support HYI's reserves. The proposed budget will enable HYI to implement strategic directions, manage increasing service demands and maintain existing service levels. HYI will continue to operate and manage its housing portfolio in a financially prudent manner throughout the period covered by the proposed budget.

For more information on this report, please contact Michelle Willson, Chief Financial Officer at 1-877-464-9675 ext. 76064. Accessible formats or communication supports are available upon request.

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Attachment
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