

2020 to 2022 HOUSING YORK INC. BUDGET

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Housing York Inc. at a Glance

Housing York Inc. (HYI) is the Regional Municipality of York's housing corporation. HYI was formed in 2003 through amalgamation of the York Regional Housing Corporation and the Region of York Housing Corporation. HYI has 36 housing properties with approximately 2,800 units and is home to over 4,000 tenants across all nine local cities and towns in York Region.



Our
Vision

A leader in affordable housing, building inclusive communities that everyone would be proud to call home.

and

Mission

As a responsible and caring landlord, we work with our residents and partners to deliver housing programs and services that are important to our communities.

Housing York Inc.'s 2017 to 2020 Plan: *Achieving New Heights Through Innovation and Sustainability*

The budget enables HYI to implement strategic directions, manage increasing service demands and maintain existing service levels. In November 2016, the Board approved Housing York'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:



Strengthen community health

- Development of [Resident Inclusion Plan](#)



Build long-term financial sustainability

- [Implementation of Long-Term Fiscal Strategy](#)



Effectively manage assets

- Approval of the [Portfolio Management Plan](#)



Provide good governance and strengthen organizational capacity

- Creation of [HYI's Mission and Vision](#) statements



Inform and implement Regional housing initiatives

- 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 Long-Term Fiscal Plan

In [November 2017](#), HYI's Board of Directors approved a new long-term fiscal plan for the corporation. 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 reserves
- A new operating surplus policy that establishes a framework for the allocation of operating surpluses to reserves
- An updated investment policy to ensure prudent management of HYI's working capital and reserves

The reserve strategy will ensure HYI can effectively and efficiently respond to capital and operating needs. A significant change in the strategy was consolidation of the capital repair and replacement reserve to fund planned capital repairs for the entire HYI portfolio. As a result, spikes in demand for capital reserves and capital funding requests needed from York Region have been eliminated.

Under the consolidated reserve fund, reserve contributions for newer buildings will be used to fund more immediate capital expenses needed for older buildings, smoothing pressures on the reserve over time while ensuring that funds are available in the future as the newer buildings age.

Capital expenditures could be higher than contributions in a specific year; however, each program will contribute enough funding to cover all of its capital needs over the long-term. The strategy is supported by detailed analysis of each program's capital repair needs and reserve contributions over the next 40 years. Appendix 1 provides a detailed overview of HYI's reserves, including funding sources and limits.

New Developments

Woodbridge Lane

Completed in the fall of 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.

Building features

- On-site underground resident and commercial parking and surface parking for visitors
- Indoor and outdoor amenity spaces
- Playground and children's play room
- Green/energy efficient building systems
- Street-front commercial or community space

Unionville Seniors Affordable Housing Development

York Region is developing an affordable rental building for seniors as part of a redevelopment of the Unionville Home Society campus, located in the City of Markham. The new HYI building will have 265 apartments for seniors, as well as a ground floor hub offering seniors-focused services to the community.

Building features

- On-site underground resident and visitor parking, with some short-term surface parking
- Indoor and outdoor amenity spaces for residents
- Green/energy efficient building systems
- Ground floor hub offering seniors-focused services to the community

Construction activity began in 2019 and the project is anticipated to be completed in 2022.

Whitchurch-Stouffville Affordable Housing Development

After a comprehensive property search focused on the priority areas of the Town of Aurora, Town of East Gwillimbury and the Town of Whitchurch-Stouffville, the Region purchased a 3.7 acre site at 5676 Main Street in the Town of Whitchurch-Stouffville.

Preliminary planning and community consultation began in 2019 and focuses on the site being developed in two phases. The first phase of the development includes approximately 100 units. Planning approvals are anticipated in 2020 with construction starting later that year and wrapping up in 2022.

2020 Operating Budget

2020 Operating Budget Overview

HYI's 2020 budget reflects an operating surplus of \$858,000 and will be allocated to reserves based on the operating surplus policy. The budget enables HYI to implement strategic directions, manage increasing service demands and maintain existing service levels. HYI's 2020 budget is presented in Table 1 below.

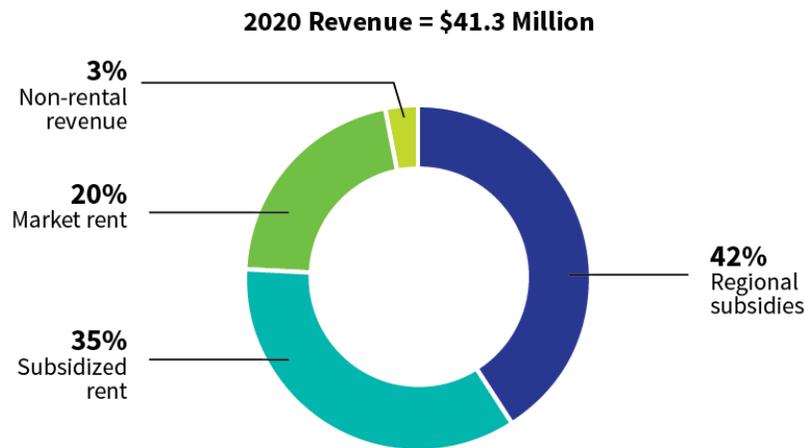
Table 1
2020 Operating Budget

	2019 Budget (\$000)	2020 Budget (\$000)	2020 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%

Revenue

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.

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.

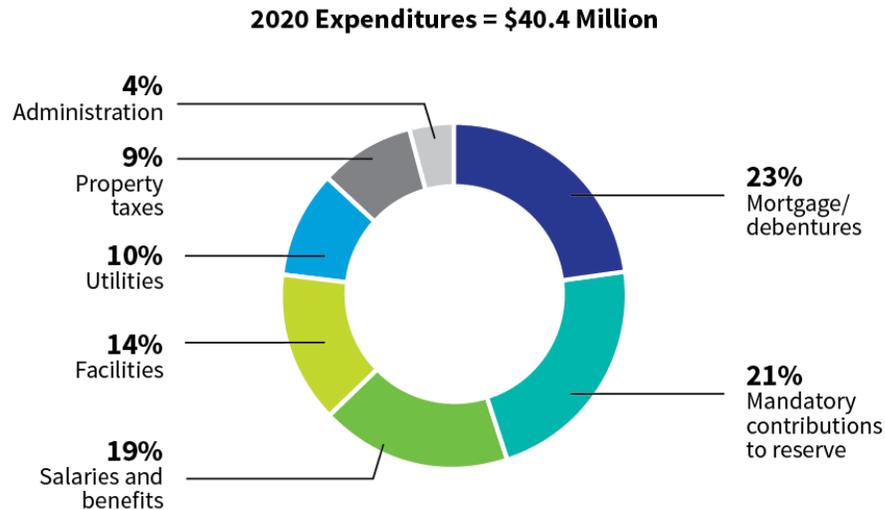


Total revenue is projected to increase by \$1.3 million or 3.4 % over 2019. This increase is spread over all sources of revenue, including rental revenue, non-rental revenue and Regional subsidies. Rental revenue is the portion of rent that is collected directly from residents, including market rent and the portion of rent a subsidized tenant pays.

- 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 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 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 \$1.0 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 tenants for existing housing units.
- HYI generates non-rental revenue through parking charges, coin laundry and rental of commercial space. 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 -3.0% 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 tenants. Rent subsidy is the difference between what the tenant can afford to pay and market rent.
 - An inflationary increase of \$83,000 in the public housing portfolio.

Expenditures

Total expenditures are projected to be \$40.4 million in 2020. This includes a full year of operating costs associated with Woodbridge Lane. Expenditures for this property were prorated in the 2019 budget based on expected completion date.



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.
- Utilities are projected to increase by \$100,000 or 2.5%. Utilities on 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. 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 to 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. In the 2019 budget, the reserve contributions related to this property were prorated based on the expected completion date. Annual reserve contributions for this portfolio are based on \$2,000 per unit.
 - An inflationary increase of \$66,000 in the public housing and provincial reform portfolios.

2020 Capital Expenditures

As part of asset management practices, HYI completes building condition assessments and energy audits for all properties. These assessments identify future capital needs for HYI sites and buildings, taking into consideration items such as the age, performance and reliability of building components. From this information, 40-year capital forecasts are created for every property in order to gain an in depth understanding of capital needs and funding. For larger capital projects, total project cost is generally broken down into two budget years. Generally, project design costs are budgeted in one year and the remaining project costs in the following budget year when the work is performed.

The portfolio is in good condition which is attributable to solid investment in capital repairs and rehabilitation. Many of the buildings and building components are relatively new as there has been significant growth in the portfolio over the past ten years; others are reaching the middle of their useful lives and will require renewal in upcoming years.

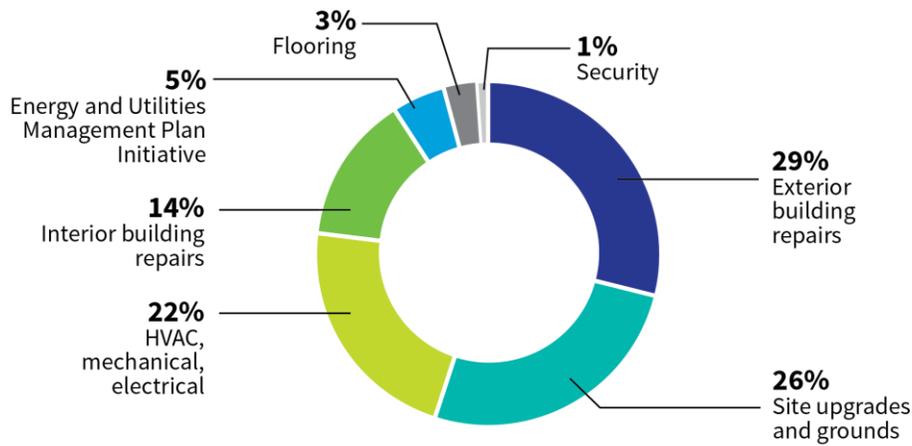
HYI plans to invest \$9.6 million in capital design, repairs and upgrades during 2020. A significant amount of the expenditures will go towards site improvements including fire routes, sidewalks and curbs, roof system replacements, balcony slab and railing restorations and replacement of mechanical systems.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

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.

2020 Capital Expenditures = \$9.6 Million



Reserves

The long-term fiscal plan includes a reserve strategy that sets goals and objectives for HYI’s reserves. Part of the reserve strategy was the creation of new reserves for strategic initiatives, unplanned expenditures and revenue shortfalls. A detailed overview of HYI’s reserves, including funding sources is provided in Appendix 1.

HYI’s 2020 budget projects a net surplus, before reserve allocations, of \$858,000. It is important for HYI to continue to generate surpluses to support long-term sustainability. Table 2 shows how the projected surplus will be allocated to the reserves according to the Operating Surplus Policy. Appendix 2 includes projected 2020 reserve ending balances.

Table 2
Allocation of 2020 Operating Surplus to Reserves

	Surplus Allocation (\$000)
Capital Repair and Replacement Reserve	429.1
Working Capital Reserve	0
Insurance Reserve	25.0
Operations Reserve	0
Strategic Initiatives Reserve	404.1
Emergency Housing Reserve	0
Total	858.2

2020 to 2022 Outlook

The forecast for 2020 to 2022 is based on previously approved strategic directions along with any new initiatives approved by the HYI Board. This financial plan has been developed for both the operating and capital programs based on the forecasted needs.

Table 3
2020 to 2022 Outlook

	2020 Budget (\$000)	2021 Outlook (\$000)	2022 Outlook (\$000)
Revenue			
Market rent	8,474	8,844	10,980
Subsidized rent	14,407	14,689	15,719
Non-rental revenue	1,222	1,233	1,513
Regional subsidies	17,187	17,457	17,714
Total revenue	41,290	42,223	45,926
Expenditures			
Salaries and benefits	7,742	8,077	8,741
Administration	1,764	1,796	1,889
Facilities	5,539	5,623	6,131
Utilities	4,065	4,156	4,667
Property taxes	3,426	3,493	4,278
Mortgage/debentures	9,351	9,351	9,672
Mandatory contributions to reserve	8,545	8,612	9,212
Total Expenditures	40,432	41,108	44,590
Operating surplus before contributions	858	1,115	1,336
Contribution to reserves	858	1,115	1,336
Net surplus/(deficit)	0	0	0

Revenue

Revenue is projected to increase annually due to the following:

- Rental and non-rental revenue will increase when the Unionville Seniors Affordable Housing Development is reflected in 2022
- Market rents are expected to increase annually by 2.2% based on the current rent increase guideline
Regional subsidies assumed to continue at the current calculations/formulas and committed levels

Expenditures

Operating expenditures are projected to increase annually due to the following:

- Facility costs, debenture payments and reserve contributions will increase when the Unionville development is reflected in 2022. Annual reserve contributions for new buildings are based on \$2,000 per unit
- Annual operating expenditures and utility increases are based on a 2% inflationary increase

Salaries and benefits will increase as five new permanent positions are expected in 2022 due to the addition of the Unionville development.

Appendix 1

Summary of Housing York Inc. Reserves

Reserve Name	Purpose	Funding Sources	Limit
Capital Repair and Replacement Reserve	Funds for capital repairs for all HYI properties	<ul style="list-style-type: none"> Annual allocation from HYI's operating budget Regional subsidies 50% of annual operating surpluses An annual draw of \$3.6 million from the Regionally Owned Housing Reserve 	None
Working Capital Reserve	Funds for short-term cash flow requirements	<ul style="list-style-type: none"> Annual operating surpluses 	\$3,500,000
Insurance Reserve	Funds the cost of claims and deductibles	<ul style="list-style-type: none"> Annual allocation from HYI's operating budget Annual operating surpluses 	\$180,000
Operations Reserve	Funds for unplanned expenditures and revenue shortfalls	<ul style="list-style-type: none"> Annual operating surpluses 	\$500,000
Strategic Initiatives	Funds for strategic priorities	<ul style="list-style-type: none"> Annual operating surpluses 	\$3,500,000
Emergency housing	Funds for emergency housing to support capital repairs and operating expenditures	<ul style="list-style-type: none"> Regional subsidies 	None

Appendix 2

2020 Estimated Reserve Balances

	Capital Reserves (\$000)	Working Capital Reserve (\$000)	Insurance Reserve (\$000)	Operations Reserve (\$000)	Strategic Initiative Reserve (\$000)	Emergency Housing Reserve (\$000)
Projected 2020 opening balance	8,266	3,500	180	500	2,751	3,110
Budgeted contribution	8,130					415
Projected reserve interest	290				41	44
Projected expenditures	(8,549)		(25)		(475)	(590)
Contribution from operating surplus	429		25		404	
Projected 2020 ending balance	8,566	3,500	180	500	2,721	2,979